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Résolution numéro 448-86
Assemblée du 25 juin 1986

Accord entre la Société canadienne d'hypothèques et de logement et la Société d'habitation du Québec sur la mise en oeuvre des programmes concernés par l'entente-cadre Canada-Québec sur l'Habitation sociale

ATTENDU que le gouvernement du Québec et le gouvernement fédéral ont signé le 13 mai dernier une entente sur l'Habitation sociale qui confie au Québec la responsabilité de la mise en oeuvre des divers programmes d'aide couverts par cette entente;

ATTENDU que cette entente-cadre doit être complétée par un accord de mise en oeuvre entre la Société canadienne d'hypothèques et de logement et la Société d'habitation du Québec;

ATTENDU que la Société d'habitation du Québec et la Société canadienne d'hypothèques et de logement ont négocié l'accord de mise en oeuvre requis;

ATTENDU qu'en vertu de l'article 90 de la Loi sur la Société d'habitation du Québec (L.R.Q., chap. S-8), la Société peut, avec l'autorisation du gouvernement, conclure tout accord avec le gouvernement du Canada ou tout organisme de celui-ci, afin de faciliter l'exécution de sa loi;

IL EST RESOLU ce qui suit:

1° de demander au gouvernement d'approver l'accord avec la Société canadienne d'hypothèques et de logement sur la mise en oeuvre des programmes concernés par l'entente-cadre Canada-Québec sur l'Habitation sociale signée le 13 mai 1986 et d'autoriser la Société à signer cet accord dont les termes et conditions seront实质iellement conformes au texte annexé à la demande d'approbation et d'autorisation;

2° sous réserve de cette approbation et de cette autorisation, d'autoriser le président à signer l'edit accord et ses annexes.

Certifié copie conforme

1986 JUIL. - 7

Date

Jean-Luc Lesage
Me Jean-Luc Lesage, Secrétaire

Distribution





DÉCRET

GOUVERNEMENT DU QUÉBEC

NUMÉRO 970-86

2 JUIL. 1986

CONCERNANT une entente entre la Société canadienne d'hypothèques et de logement et la Société d'habitation du Québec sur la mise en oeuvre des programmes concernés par l'entente-cadre Canada-Québec sur l'Habitation sociale

ATTENDU que le gouvernement du Québec et le gouvernement fédéral ont signé le 13 mai dernier une entente sur l'Habitation sociale qui confie au Québec la responsabilité de la mise en oeuvre des divers programmes d'aide couverts par cette entente;

ATTENDU que cette entente-cadre doit être complétée par une entente de mise en oeuvre entre la Société canadienne d'hypothèques et de logement et la Société d'habitation du Québec;

ATTENDU que la Société d'habitation du Québec et la Société canadienne d'hypothèques et de logement ont négocié l'entente de mise en oeuvre requise;

ATTENDU que la Société d'habitation du Québec demande l'autorisation de signer ladite entente de mise en oeuvre;

ATTENDU qu'en vertu de l'article 90 de la Loi sur la Société d'habitation du Québec (L.R.Q., chap. S-8), la Société peut, avec l'autorisation du gouvernement, conclure tout accord avec le gouvernement du Canada ou tout organisme de celui-ci, afin de faciliter l'exécution de la loi;

ATTENDU qu'en vertu de l'article 3.7 de la Loi sur le ministère du Conseil exécutif (L.R.Q., chap. M-30), un accord entre le gouvernement ou l'un de ses ministères ou organismes et un autre gouvernement au Canada, l'un de ses ministères ou organismes, constitue une entente intergouvernementale;

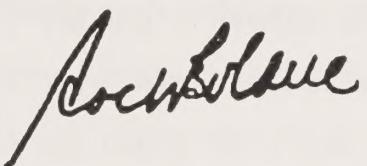
ATTENDU qu'en vertu de l'article 3.12 de la Loi sur le ministère du Conseil exécutif, aucun organisme public ne peut, sous peine de nullité, sans l'autorisation préalable du gouvernement, conclure des ententes avec un autre gouvernement au Canada, un ministère ou un organisme de l'un de ces gouvernements;

EN CONSÉQUENCE, sur la recommandation du ministre des Affaires municipales, responsable de l'Habitation, et du ministre délégué aux Affaires intergouvernementales canadiennes, il est décrété ce qui suit:

1° L'entente entre la Société canadienne d'hypothèques et de logement et la Société d'habitation du Québec sur la mise en oeuvre des programmes concernés par l'entente-cadre Canada-Québec sur l'Habitation sociale signée le 13 mai 1986, est approuvée;

2° La Société d'habitation du Québec est autorisée à signer cette entente, dont les termes et conditions seront实质iellement conformes au texte annexé à la recommandation du présent décret.

Le Greffier du Conseil exécutif



OPERATING AGREEMENT

AGREEMENT made the 10th day of JULY, 1986.

BETWEEN: CANADA MORTGAGE AND HOUSING CORPORATION
hereinafter called "CMHC"

- and - SOCIÉTÉ D'HABITATION DU QUÉBEC
hereinafter called "SHQ"

WHEREAS the Government of Canada ("Canada") and the Government of Québec ("Québec") have entered into a Global Agreement on Social Housing ("the Global Agreement") dated the 13th day of May 1986 enabling the parties thereto to share the cost of any social housing programs or initiatives which they wish to foster jointly;

AND WHEREAS Canada and Québec have agreed in the Global Agreement to cause this Operating Agreement to be entered into for the purpose of carrying into effect the principles of the Global Agreement;

AND WHEREAS the Global Agreement applies to programs delivered and implemented through housing agencies as defined in this Agreement;

AND WHEREAS CMHC and SHQ are housing agencies of Canada and Québec respectively.

NOW THEREFORE THIS AGREEMENT WITNESSETH that CMHC and SHQ hereto, agree each with the other as follows:

1. DEFINITIONS

The definitions contained in the Global Agreement shall apply to this Agreement.

- (a) "Act" means the National Housing Act.
- (b) "Adjusted Income" means adjusted household income as described for each program in Schedule A.
- (c) "Administration" means all activity associated with a given program after a project's Interest Adjustment Date or commencement of subsidy assistance, including loan, project and agreement administration.
- (d) "Affordable dwelling" for purposes of determining Core Housing Need means a dwelling for which basic shelter costs are less than 30% of a household's income, as defined in 1(p).
- (e) "Average market rent" means average basic shelter costs in a specific geographic area for unsubsidized, non-farm, rental dwellings where rent is reported as greater than zero and where no rent is attributable to commercial space.
- (f) "Basic shelter costs" for homeowners for purposes of determining Core Housing Need means the following costs associated with a household's principal residence:
 - mortgage payment of principal;
 - mortgage payment of interest;
 - property taxes;
 - payments for oil, gas, coal, wood or other fuels;
 - payments for electricity;

- payments for water, sewerage and related costs;
- payments for regular maintenance and repair;

"Basic shelter costs" for renter households for purposes of determining Core Housing Need means the following costs associated with a household's principal residence:

- rent;
- payments for oil, gas, coal, wood or other fuels, electricity, water, sewerage and related costs;

(g) "Budgetary Expenditures" means transactions which affect the deficit or surplus of the Governments of Canada or Québec including subsidy assistance, net operating losses, loan forgiveness or loan losses and administrative expenditures.

(h) "Commitment" means a written undertaking to finance or subsidize a specifically identified unit or project and to incur budgetary or non-budgetary expenditures related thereto.

(i) "Cost-Sharing" means the sharing between Canada and Québec of the eligible program costs covered by this Agreement according to the terms, conditions, frequency of payments and method or methods of calculation set out in this Agreement and in Schedule A.

(j) "Crowded dwelling" means a dwelling with more than one person per room with the exception of bathrooms, halls, pantries and closets, and any rooms used for business purposes; all rooms in the dwelling considered separate by the household are counted.

- (k) "Delivery" means all activity associated with a given program prior to a project's Interest Adjustment Date or commencement of subsidy assistance. This includes direct dealings with clients or the overseeing of a sponsor or delivery agent who deals directly with the client.
- (l) "Federal Assistance" means a contribution, grant, subsidy, interest free or interest reduced loan or forgivable loan made by CMHC for the purposes of this Agreement.
- (m) "Financing Interest" means the interest charges on net disbursements made by the SHQ on behalf of CMHC.
- (n) "Housing Agency" means CMHC, SHQ, the Société de gestion immobilière or any municipality or municipal housing office, non-profit corporation or Native organization with whom CMHC or SHQ may enter into agreements to carry out any program or initiative covered by the Global Agreement and this Operating Agreement.
- (o) "Inadequate dwelling" means a dwelling needing major repairs or lacking basic facilities. Major repairs include, but are not limited to, defective plumbing, defective electrical wiring, structural repairs to walls, floors, ceilings. Basic facilities are hot and cold running water, an indoor toilet and bathtub or shower.
- (p) "Income", for purposes of determining Core Housing Need, means total household income (before tax) from all sources for all persons in the household 15 years

of age and over, as defined by Statistics Canada in its most recent Household Income, Facilities and Equipment data base documentation.

- (q) "Interest Adjustment Date" means the date from which the principal amount of a loan together with interest thereon becomes due and payable upon terms agreed to by CMHC and SHQ.
- (r) "Native" means Métis, non-status Indian, Indian as defined in the Indian Act, or Inuit.
- (s) "Non-Budgetary Expenditures" means transactions which will be reflected in the accounts of Canada or Québec as an increase or decrease of assets and which will not increase or decrease their surplus or deficit. This includes loans or investments.
- (t) "Planning and Monitoring Committee" means the committee cited in the Global Agreement and described in section 6 of this Agreement.
- (u) "Priority Groups" means all those households in Core Housing Need, as defined in the Global Agreement.
- (v) "Québec Financial Assistance" means a contribution, grant, subsidy, interest free or interest reduced loan or forgivable loan made by Québec or its municipalities for the purposes of this Agreement.
- (w) "Renovation" means any work undertaken on an existing dwelling, including repair, rehabilitation, improvement or conversion of the dwelling.

- (x) "Rural" means rural areas or communities having a population of 2500 persons or less, unless otherwise specified in Schedule A.
- (y) "Special purpose housing" means hostel or self-contained housing, used as a principal residence, which includes on-site care services and facilities, excluding food, related to residents' common physical, social and emotional condition or disability.
- (z) "Suitable dwelling" for purposes of determining Core Housing Need, means a dwelling which can accommodate a household according to the following household size/dwelling size relationship: 1 person - studio; 2 people - 1 bedroom; 3-4 people - 2 bedrooms; 5 or more people - 3 or more bedrooms.

- (aa) "Urban" means communities having a population of more than 2500 persons, unless otherwise specified in Schedule A.

2. SCOPE OF THE OPERATING AGREEMENT

- (a) The recitals herein shall form an integral part of this Agreement.
- (b) This Agreement applies to the acquisition, development, construction and renovation of projects or to financial assistance for households. It also specifies the delivery and administration, as well as the cost-sharing of programs covered herein.

(c) This Agreement applies to all new commitments made under those programs defined and described in the attached schedules and identified hereafter, as well as to any future programs which are consistent with the goals and objectives of the Global Agreement and that Canada and Québec decide to initiate and cost-share.

For such new programs, a description shall be provided by the initiating party and, subject to the approval of the other party, included as part of Schedule A to this Agreement. This Schedule will include all pertinent details, administrative as well as financial.

The programs presently covered by this Agreement are the following:

- Non-Profit Housing Program
- Urban Native Non-Profit Housing Program
- Rent Supplement Program

3. FEDERAL RESPONSIBILITIES

(a) Within the limits of approved budgets CMHC agrees:

- i) to insure loans made by approved lenders for capital financing for housing projects under Part I of the Act;
- ii) to make loans under Section 37.1 of the Act for proposal development funding;
- iii) to make grants available pursuant to paragraph 37(1) e) of the Act for training programs or educational facilities;
- iv) to make contributions pursuant to Section 56.1 of the Act to eligible contribution recipients to

enable them to meet the costs of rental accommodation and reduce the rentals thereof.

(b) All loans, contributions and other assistance referred to in subsection (a) shall be subject to the provisions of the Act, this Agreement and the Global Agreement.

4. QUEBEC RESPONSIBILITIES

SHQ shall:

(a) assume the delivery and administration of any program covered by this Agreement, in accordance with the Act and the Regulations thereunder, the provisions of Schedule A and mutually agreed upon guidelines for each program;

(b) share with CMHC the eligible program costs, as set out in Schedule A, for such programs which are covered by this Agreement. It is agreed by the parties that for the Non-Profit Housing Program and the Rent Supplement Program, SHQ may use a rental scale of its own, but operating losses eligible for assistance from Canada will be determined on the basis of whichever of the Québec rent scale or the Federal rent scale, as set out in Schedule D, produces the lowest annual operating losses. Any scale in use must not result in occupant households remaining in core housing need.

(c) direct assistance under such programs to eligible clients for each program as specified in Schedule A. Over any three-year period SHQ may direct no more than an average of 10 percent of Québec's total allocation for the Non-Profit Housing, Rural and Native Housing, Urban Native Non-Profit Housing and Rent Supplement Programs to special purpose housing;

- (d) establish and implement program procedures, and deliver and administer programs in an efficient and effective manner;
- (e) undertake, inter alia, the assessment of project feasibility, project selection, project development, inspection, certification of project commitment, client selection, development of occupancy guidelines, verification of occupant incomes, approval of project annual operating budgets, calculation of eligible project costs, and loan, subsidy and project administration.
- (f) respect all financial requirements;
- (g) participate in a joint planning process with CMHC, and provide on a timely basis all information outlined in this Agreement and Schedules so as to ensure compliance with program objectives and the accountability requirements of both levels of government;
- (h) ensure access to delivery of such programs by sponsors, delivery groups or agents specified in Schedule A for each program.

5. JOINT PLANNING PROCESS

- (a) SHQ and CMHC shall undertake a joint planning process for the purpose of developing an ongoing three-year plan which identifies the most cost-effective and appropriate social housing strategies to meet the objectives of the Global Agreement and of this Agreement.

- (b) The joint planning process shall be undertaken in accordance with the calendar contained in Schedule C and with Section 6 of this Agreement.
- (c) CMHC and SHQ agree to the exchange of data, research, survey results and any other information relevant to the determination of social housing needs and market conditions. Such exchanges, coupled with appropriate consultation with CMHC, shall be prerequisites to the annual preparation of three-year plans.

6. PLANNING AND MONITORING COMMITTEE

- (a) CMHC and SHQ shall establish a Planning and Monitoring Committee which they shall chair jointly.
- (b) CMHC and SHQ shall each nominate a co-chairperson to the Committee and inform the other party of such nomination.
- (c) The Committee shall meet no less than four times annually and shall meet at the invitation of either co-chairperson.
- (d) The mandate of the Planning and Monitoring Committee shall be to engage in the joint planning process, as well as to monitor the implementation and achievements of the three-year plan.
- (e) The functions and responsibilities of the Planning and Monitoring Committee shall include:
 - i) reviewing the three-year plan submitted by SHQ to CMHC, and proposing revisions to the comprehensive three-year plan, if need be;

- ii) providing a medium for the sharing of information resulting from research, studies, surveys and other activities;
- iii) the recommendation by all Census Metropolitan Areas, and Sherbrooke Census Area, and by the geographic areas listed below, of the need by priority groups for new or acquired housing, rent supplement assistance and renovation assistance and of the need for special purpose accommodation, and the development of an appropriate strategy to address those needs;

Est-du-Québec

Saguenay - Lac-Saint-Jean

Québec

Mauricie - Bois-Francs

Estrie

Montréal

Outaouais

Abitibi - Témiscamingue

Côte-Nord

Nord-du-Québec

- iv) recommending a proposed level of annual activity over the three-year period, in each Census Metropolitan Area, Sherbrooke Census Area and geographic area, for each program covered by this Agreement, taking into account the identified needs, the activities in prior years of the plan and, whenever possible, other housing programs of either party not covered by this Agreement, and all factors affecting delivery of the programs, financial or otherwise;

- v) the forecasting of annual budgetary and non-budgetary requirements over the three-year period, for each program covered by this Agreement in a manner acceptable to the parties as outlined in Schedule A;
- vi) the proposal of a comprehensive three-year plan covering each year of the planning period.
- vii) reviewing on a regular basis the progress during the current year of the implementation of the plan, including budgetary and non-budgetary expenditures and their related cash flows;
- viii) undertaking a thorough annual analysis of the achievement of the objectives set out in this Agreement and put into effect through the three-year plan and informing SHQ and CMHC;
- ix) proposing, if deemed appropriate, modifications to the programs covered by this Agreement, and to program guidelines, including adjustments to market rents and Maximum Unit Prices;
- x) reviewing and following-up on operational audit plans and recommendations;
- xi) monitoring conformity with the provisions for publicity and information outlined in Section 16 of this Agreement;
- xii) monitoring compliance with the Global Agreement and this Agreement, including the identification of contentious issues.

xiii) Such other functions and responsibilities as CMHC and SHQ may mutually agree upon.

(f) Members of the Planning and Monitoring Committee shall submit the proposed comprehensive three-year plan to CMHC and to SHQ for required approvals.

(g) CMHC and SHQ, respectively, shall seek the necessary budgetary authorities on the basis of the approved three-year plan, and shall communicate receipt of authorized annual budget levels to the other party.

(h) The approved three-year plan and annual budget authorities shall be appended to this Agreement as Schedule B; for subsequent years, these approved three-year plans and annual budget authorities shall serve as annual updates of Schedule B.

(i) Members of the Planning and Monitoring Committee shall submit to their respective agencies for required approvals, any proposed major changes affecting allocations to client groups, to Census Metropolitan Areas, Sherbrooke Census Area and geographic areas or any proposed increases to approved budgetary or non-budgetary requirements identified in the approved three-year plan. Changes to allocations among programs are subject to the provisions of Section 12 of this Agreement.

7. INFORMATION REQUIREMENTS

(a) SHQ shall collect and make available to CMHC all information, including financial requirements, necessary to ensure program objectives and accountability are met. This information will be

provided at specified intervals, during the planning, delivery, commitment and post-commitment stages and for the duration of federal and Québec financial assistance. SHQ will, at all times, make available to CMHC all documents, books, registers and accounts pertaining to the expenses incurred in the application of the programs covered by this Agreement.

- (b) SHQ shall provide to CMHC the information requirements specific to individual programs as outlined in Schedule A.

8. EVALUATION

- (a) CMHC and SHQ may undertake, where possible, joint program evaluations, in accordance with the provisions of Subsection 4.5 of the Global Agreement.
- (b) Evaluations shall be undertaken for each program covered by this Agreement, on a cyclical basis at three to five year intervals.
- (c) Program evaluations shall be undertaken to assess the rationale for programs covered by this Agreement, their effectiveness, efficiency and impact in meeting the objectives set in the Global Agreement and this Agreement, and where appropriate, alternative program design and delivery features.
- (d) Program evaluations shall be based on information available on an on-going basis, as outlined in Schedule A, as well as periodic surveys, research studies and other sources of data and analysis. Any such studies, when undertaken for joint evaluations, and conditional upon the mutual agreement of CMHC and SHQ, may be

cost-shared. Where evaluations are undertaken by one party individually, the other party shall, if required, cooperate in collecting and sharing information.

- (e) In order to identify information requirements for program evaluations, CMHC and SHQ agree to develop plans for future evaluations, within six months of the signing of this Agreement.
- (f) Program evaluations undertaken jointly shall be done in accordance with the governing authorities of the parties' respective governments as well as in compliance with the generally accepted principles of public program evaluation.

9. OPERATIONAL AUDITS

- (a) Unless otherwise agreed by the parties, CMHC and SHQ shall undertake joint operational audits in accordance with the provisions of Sub-section 4.6 of the Global Agreement to determine whether the programs are being delivered and administered in accordance with the Global and Operating Agreements and the related mutually agreed upon program guidelines.
- (b) Operational audit is an audit undertaken by SHQ and CMHC staff to assess the adequacy of management controls and processes; the propriety of transactions; and the economy, efficiency and administrative effectiveness of delivery and administration systems; as well as the compliance to the terms and conditions of the Agreements and mutually agreed upon program guidelines.

- (c) Operational audits shall be undertaken for each program covered by this Agreement on a cyclical basis within a four-year period.
- (d) The scope, timing, resources and cost-sharing arrangements for operational audits shall be mutually agreed upon.
- (e) The operational audits shall not duplicate other audits performed.
- (f) CMHC and SHQ agree to develop plans for the first cycle of operational audits within six months of the signing of this Agreement.

10. ALLOCATION

- (a) The allocation process shall be as outlined in Section 5.3 and Schedule 1 of the Global Agreement.
- (b) Over any three-year period, no more than an average of ten percent (10%) of Québec's total allocation for the Non-Profit Housing, the Rural and Native Housing, the Urban Native Non-Profit Housing and Rent Supplement Programs may be used for special purpose housing.
- (c) The remaining social housing allocation shall be distributed among the programs covered by this Agreement as specified in the approved three-year plan.
- (d) Taking into account those aspects of the planning process listed in clause 6(e)(iv), SHQ shall assist families and senior citizens within the priority groups with the intent to direct this assistance in accordance with their share of Core Housing Need relative to each other.

- (e) Within the core housing need income limits, the number of units or the amount of funds directed to households at the upper income levels shall not exceed their proportionate share of need.
- (f) SHQ's assistance to Natives shall be at least equal to the Native targets determined by CMHC for each program. The Native Target for the Urban Native Non-Profit Housing Program is 100%.

11. COST-SHARING ARRANGEMENTS

Having taken into account that, at the time of the signing of this Agreement:

- i) SHQ finances a number of social housing initiatives and interventions aimed at households in need which are not within the scope of the Global and Operating Agreements, and
- ii) a mutual agreement still has to be reached on modifications to existing controls over redistribution of funds and units which would provide for greater flexibility among the various cost-shared programs,

CMHC and SHQ agree to cost-share eligible program costs for the programs covered by this Agreement. CMHC and SHQ agree that CMHC's share of the financial assistance, more than one-half of the eligible program costs, will flow to commitments made in 1986, 1987, and 1988 in accordance with the cost sharing ratios in the following table and over the life of the assistance, as determined in the mutually agreed upon program guidelines.

COST-SHARING ARRANGEMENTS

(applicable as of 1 January, 1986)

	Québec			Canada		
	'86	'87	'88	'86	'87	'88
<u>Non-Profit Housing</u>						
- Public Non-Profit	35	38	41	65	62	59
- Public Non-Profit Inuit	25	25	25	75	75	75
- Private Non-Profit	25	25	25	75	75	75
<u>Urban Native Non-Profit Housing</u>	25	25	25	75	75	75
<u>Rent Supplement</u>	35	38	41	65	62	59
- Regular	25	25	25	75	75	75
- Federal Coop. Housing Program						

Notwithstanding the above, CMHC and SHQ may, subject to a written request by SHQ to CMHC during 1988, with the help of the Planning and Monitoring Committee and in light of past experience, revise, for subsequent years, their respective financial contributions to certain or all programs, thus providing those adjustments deemed pertinent and necessary. Under no circumstances will any such revision result in CMHC's contributions exceeding 75% of the eligible costs of a program, where SHQ continues to deliver and administer a program.

In the absence of a written request by SHQ, the cost-sharing arrangements used for 1988 shall continue to apply until such request is made.

12. REDISTRIBUTION OF FUNDS OR UNITS

Redistribution of funds or units among programs, but not between budgetary and non-budgetary allocations, may be made, subject to the following conditions:

- (a) The redistribution shall be permitted only with respect to the funds or units planned for year one of the three year plan as set out in Schedule B of this Agreement or its annual updates, and consistent with the financial authorities of each party.
- (b) SHQ may, for the purpose of ensuring a certain flexibility in the delivery and administration of the programs covered by the Global Agreement, redistribute up to a mutually agreed upon percentage, as set out in Schedule B, of its total allocation for those programs, which it delivers and administers.
- (c) SHQ shall notify CMHC of any redistribution. Any intended redistribution which exceeds the agreed upon limits must receive the prior approval of CMHC.
- (d) CMHC and SHQ shall take steps within their respective agencies to review the existing controls over redistribution with the intent of providing increased flexibility.

13. INSURED LOANS

- (a) This section applies to the Non-Profit Housing Program and the Urban Native Non-Profit Housing Program for which financing is provided by approved lenders and insured by CMHC under Part I of the Act.
- (b) CMHC and SHQ agree that financing for public non-profit projects will be provided through insurable loans secured by either debentures or mortgages at the option of SHQ, and financing for private non-profit projects will be provided through insurable loans secured by mortgages.

(c) LOANS SECURED BY MORTGAGES

- (i) SHQ shall be responsible, on behalf of CMHC, for the underwriting process for insuring loans provided by approved lenders, including site and plans examination, appraisal, cost estimates, determination of loan amount, and approval of financing terms and conditions.
- (ii) SHQ shall prepare a commitment letter to the lender for approval by CMHC. Where the commitment letter has been approved, CMHC shall issue to the lender an undertaking to insure, upon receipt from SHQ of a notice of commitment and submission by the approved lender of the required underwriting documentation.
- (iii) SHQ shall be responsible for authorizing all advances and undertaking inspections to ensure compliance with the plans and specifications and applicable building standards, and to determine the value of the work in place, all in accordance with program guidelines.
- (iv) CMHC will issue an insurance policy to the approved lender upon notification by SHQ that the loan is fully advanced and the interest adjustment date has been set.
- (v) No application fees will be charged by CMHC or by SHQ and no premium will be due to CMHC for the underwriting and issuance of the insurance policy for both public and private non-profit projects.
- (vi) Non-profit projects in difficulty will be dealt with in accordance with clauses (vii) to (viii) below.
- (vii) Upon notification by the approved lender to CMHC of a loan account being in arrears, CMHC shall immediately advise SHQ, and CMHC and SHQ shall work together to take appropriate action to avoid a claim.

- (viii) SHQ shall investigate the cause of the property's arrears or potential arrears problem and inform CMHC immediately of its findings.
- (ix) CMHC and SHQ shall make best efforts to avoid a claim by the provision of additional funds to rectify default, by SHQ acquiring title, or in instances where it is felt prudent, to have another eligible non-profit sponsor acquire title to the existing loan obligation to rectify the default.
- (x) If the default has not been rectified no later than 6 months from the date of default, CMHC, after consultation with SHQ, shall establish appropriate actions to be taken to satisfy the arrears problem.
- (xi) All instructions pertaining to administration of loans on projects in default shall be communicated directly to the approved lender by CMHC after consultation with SHQ. CMHC will keep SHQ informed of all such instructions.
- (xii) In the event that it is agreed by CMHC and SHQ that a claim on the Mortgage Insurance Fund cannot be avoided, or if the period in paragraph (x) above expires, CMHC shall direct the approved lender to submit a claim on the Mortgage Insurance Fund.
- (xiii) No costs incurred in rectifying a default in an attempt to avert a claim shall be borne by the Mortgage Insurance Fund. All eligible costs shall be shared by CMHC and SHQ in accordance with the relevant cost-sharing ratio for each project as agreed upon by the two parties. SHQ shall assume all costs related to that part of a project not assisted by CMHC under this Agreement.

(xiv) Claims by approved lenders on the Mortgage Insurance Fund will be processed and paid by CMHC through the Mortgage Insurance Fund pursuant to the Act, the National Housing Loan Regulations and applicable guidelines in effect from time to time.

(xv) On the date of the payment of the claim to the approved lender, SHQ shall purchase from CMHC the project for an amount as outlined in paragraph (xvi) below. CMHC shall give the SHQ at least one week's written notice of the anticipated date of payment of the claim. SHQ shall not object to the title provided to it by CMHC.

(xvi) SHQ shall purchase all claimed properties from CMHC for the aggregate amount of the value of the claim paid to the approved lender including the aggregate of: all acquisition costs; all costs associated with processing and payment of the claim; all costs incurred in administering the project between the date of the payment of the claim and purchase by SHQ; all costs incurred in the sale of the property to SHQ and all interest on outstanding amounts determined in accordance with the Operating Agreement.

(xvii) All supplementary claims made by an approved lender which are paid by CMHC shall be reimbursed by SHQ.

(xviii) SHQ agrees that all private non-profit housing projects acquired by it shall be refinanced and operated as public or private non-profit housing projects as mutually agreed upon by CMHC and SHQ. Assistance will continue to be provided on units forming part of the original commitment, by CMHC and SHQ, according to the agreed to cost-sharing ratio and term of the commitment, throughout the claims process and purchase by SHQ and

the units will not be lost to the social housing portfolio. Once the project is acquired by SHQ and becomes a public non-profit housing project, some or all of the units not receiving cost-shared assistance under the Non-Profit Housing Program may receive a commitment under the Program, provided the terms and conditions of the Operating Agreement are met.

d) Loans secured by debentures

- (i) SHQ shall be responsible, on behalf of CMHC, for the underwriting process for insuring loans provided by approved lenders, in accordance with sub-section 6(5) and sub-section 6(6) of the Act, the relevant regulations and the relevant portions of the CMHC form entitled "Loan by Policy-Debentures (NHA) or any document that may be used in place of this form.
- (ii) For public non-profit projects financed by loans guaranteed by debentures, SHQ hereby guarantees there will be no default on the debentures.
- (iii) CMHC shall issue to the approved lender an undertaking to insure for each project and the insurance policy in the aggregate principal amount of the debentures at the time of the financing upon receipt from SHQ of the documentation agreed upon by both SHQ and CMHC.

14. COMMITMENTS AND EXPENDITURES

- (a) CMHC and SHQ shall share eligible budgetary and non-budgetary expenditures, in accordance with the provisions of Schedule A. CMHC shall not share any

budgetary or non-budgetary expenditures which are incurred prior to commitment. Nor shall CMHC share any budgetary or non-budgetary expenditures which are not included in or are in excess of eligible program costs outlined in Schedule A, unless otherwise agreed to by CMHC and SHQ.

- (b) SHQ shall approve commitments to incur budgetary and non-budgetary expenditures and shall deliver to CMHC a notice of commitment, on a mutually acceptable form. Where an insured loan is being sought, the notice of commitment shall be submitted to CMHC with the request for an undertaking to insure. Where an insured loan is not required, SHQ shall deliver to CMHC the notice of commitment within five (5) working days of making the commitment except in the case of the Rent Supplement Program. Receipt of a notice of commitment shall be acknowledged in accordance with the Program Guidelines.
- (c) Commitments shall be made at interest rates acceptable to both CMHC and SHQ.
- (d) Prior to commitment of funds or units, SHQ shall be responsible for reviewing applications and proposals to ensure compliance with criteria, as outlined for each program in Schedule A. No acquisition, construction, or renovation shall be started before a commitment has been approved by SHQ.
- (e) During the advancing phase, SHQ shall be responsible for ensuring that appropriate controls are in place and that, prior to authorizing any advance, the necessary requirements, as outlined for each program in Schedule A, have been met.

- (f) SHQ shall not commit units or funds or disburse amounts in excess of approved annual budgets contained in Schedule B. All proposed increases to budgetary or non-budgetary allocations shall be submitted through the Planning and Monitoring Committee to the respective agencies for the required approvals.
- (g) The budget period for non-budgetary commitments is the calendar year. To the extent that units and the related non-budgetary expenditures are not committed by December 31, they shall lapse.
- (h) The budget period for budgetary commitments is the calendar year and for budgetary expenditures is the fiscal year ended 31 March. To the extent that units or budgetary commitments are not incurred by 31 December and budgetary expenditures are not incurred by 31 March, they shall lapse.
- (i) Except in extenuating circumstances, each to be mutually agreed upon, commitments shall lapse if construction, acquisition or renovation of a project has not been started within six (6) months of the date of the notice of commitment.
- (j) Current year commitments, including increases with respect to commitments made in previous years, shall be applied against the current year allocation.
- (k) Where a commitment is cancelled or decreased during the year in which it has been made, the related commitment authority shall be credited to the budget for that year. Cancellations or decreases of commitments approved in a prior year shall not alter the current

year's budget. Each commitment increase, cancellation, or decrease shall be reported by SHQ to CMHC on a form to be mutually agreed upon.

- (1) Net proceeds on the sale, demolition or destruction of assets under a program shall be shared between CMHC and SHQ in proportion to the share of budgetary expenditures for that program.

15. FINANCIAL REPORTING AND CLAIMS SETTLEMENT

- (a) SHQ shall submit all claims for settlement relating to budgetary and non-budgetary expenditures, net of any monies received, on a monthly basis within thirty (30) days of the end of the month to which the disbursements/receipts relate, unless otherwise specified in Schedule A.
- (b) CMHC shall pay financing interest on its share of net expenditures, in a manner as specified in Schedule A, provided that an interim claim is submitted no later than thirty (30) days of the end of the month in which SHQ incurred the expenditures. Such interest will accrue from the date of disbursement by SHQ to the date of payment by CMHC.
- (c) SHQ shall pay financing interest on CMHC's share of budgetary and non-budgetary receipts in a manner as specified in Schedule A.
- (d) Interim and final settlements shall be submitted in the format specified in Schedule A or as mutually agreed by both CMHC and SHQ.

- (e) All claims for settlements shall be certified by the financial officer of SHQ responsible for Federal- Provincial relations.
- (f) SHQ shall submit to CMHC by April 30 of each year, a statement of budgetary expenditures incurred but not disbursed, as at the preceding March 31.
- (g) SHQ shall submit to CMHC, by June 30, an audited final statement of expenditures by program for the previous year ended December 31. Should this statement not be received by June 30, CMHC may retain a holdback on current year claims equal to 5% of the claims paid for the previous fiscal year. Notwithstanding section 15(b), no financing interest will be payable on this holdback.
- (h) The final statement of expenditures as described in g) shall be audited by an auditor acceptable to CMHC and SHQ.
- (i) The auditor of the final statement of expenditures shall state whether the audit was performed in accordance with generally accepted auditing standards, whether the statement presents the expenditures by programs, and whether the expenditures were incurred in accordance with the financial terms and conditions of the Operating Agreement and program guidelines.

16. PUBLICITY REQUIREMENTS

CMHC and SHQ will cooperate in the development and implementation of a program of public information and publicity respecting projects and programs funded pursuant to this Agreement that accurately reflects the respective

roles and contributions of Canada and Québec, with all costs related thereto being jointly shared. Without limiting the generality of the foregoing, such program will require that:

- (a) unless otherwise agreed by CMHC and SHQ, during the course of carrying out work on any project, SHQ shall supply, erect and maintain a project sign specifying that the project is being financed by Canada and Québec;
- (b) unless otherwise agreed by CMHC and SHQ, upon completion of work on each project, SHQ shall supply, erect and maintain a sign or plaque to the effect set forth in clause (a);
- (c) SHQ shall inform CMHC of the tentative date of any ceremony related to programs and projects funded under this agreement thirty (30) working days prior to such date and shall ensure the Ministers responsible for SHQ and CMHC, and the Presidents of SHQ and CMHC are invited to any ceremonies associated with such programs and projects. Ceremony dates are to be mutually agreed to by both CMHC and SHQ within ten (10) working days of receipt by CMHC of notice of the tentative date. In certain instances, the aforesaid time periods may be reduced upon the consent of CMHC and SHQ;
- (d) the format and means of distribution of any announcements and/or notifications to sponsor groups and/or the public at large, relating to this Agreement or to programs and projects at the global and/or individual conditional unit or project allocation stages, proposal development funding loan commitment stages, project approval and commitment of subsidy assistance stages,

undertaken pursuant hereto, shall be mutually agreed upon and arranged jointly. SHQ shall provide to CMHC, for input and joint approval, drafts of such announcements and/or notifications fifteen (15) working days prior to release to all concerned recipients unless otherwise agreed by CMHC and SHQ;

For the purposes of the above,

- i) joint approval will not be required where previously mutually agreed formats of announcements/notifications are used; however, fifteen (15) working days advance notice must be provided by SHQ to CMHC in order to provide all concerned recipients with appropriate notice period unless otherwise agreed by CMHC and SHQ;
- ii) joint approval is required in all cases where previously mutually agreed to formats are not used;
- (e) any program information including signs, plaques, brochures, pamphlets, or other items of program information and cheques shall fully recognize the contribution of both Canada and Québec and shall have the prior approval of CMHC and SHQ. With respect to cheques, this requirement could be met if a letter or notice fully recognizing the contribution of both CMHC and SHQ accompanies each cheque;
- (f) subject to the applicable language legislations of each level of government, CMHC and SHQ recognize the need to provide services to the public, including information and publicity material, such as signs, plaques and announcements in both the French and English languages.

Notwithstanding the above, and in order to ensure the anonymity as well as the respect of the clientele involved, CMHC and SHQ may jointly agree to renounce any publicity.

Any matter of discussion between CMHC and SHQ, related to public information and publicity initiatives, may be submitted to the Planning and Monitoring Committee.

17. TERMINATION

This Agreement shall automatically terminate in the event of, and on the same date as, termination of the Global Agreement subject to funding commitments and other arrangements made hereunder. Such termination shall not alter or terminate commitments, nor arrangements for the administration of occupied stock, made prior to termination of this Agreement.

18. AMENDMENT

The schedules hereto may be altered or deleted, or new schedules added from time to time by mutual agreement of CMHC and SHQ. Each party shall notify the other by April 1 of any given year of any proposed amendments to the schedules which may be implemented in the following calendar year.

19. PHASING-IN

Each program covered by this Agreement may be phased-in by arrangements mutually agreed upon between CMHC and SHQ.

20. OTHER PROVISIONS

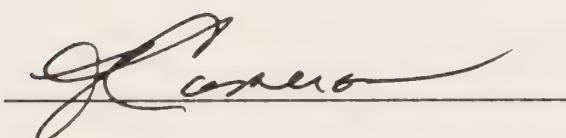
- (a) CMHC and SHQ will ensure that all documents, statements of charges, receipts and files pertaining to any project or program are safely kept as long as required by legal prescription, and in no case for less than seven (7) years.
- (b) CMHC and SHQ are jointly and severally liable for all claims resulting from the application of both the Global and the Operating Agreements, other than those implied in Section 13; nonetheless, in case of negligence regarding the delivery and administration of programs or projects covered by this Agreement, SHQ shall take "faict et cause" for CMHC and save CMHC harmless from any claim involving a third party. Notwithstanding the foregoing, SHQ shall preserve all rights and recourse against such third party.
- (c) All construction activities carried out during the implementation of both the Global and the Operating Agreements are to be carried out in compliance with the legislation, regulations and building codes and standards governing each respective level of government.
- (d) This Agreement shall not be assigned or otherwise transferred by either CMHC and SHQ.
- (e) In the event of conflict between any provision of this Agreement and any provision of the Global Agreement, the latter shall govern.
- (f) The Schedules hereto are an integral part of this Agreement.

(g) Where SHQ becomes aware of any potential irregularity or legal infraction in the delivery or administration of a program, it shall forthwith cause a preliminary investigation to be carried out. Once SHQ has determined, as a result of such preliminary investigation, that there is an irregularity or legal infraction, it shall immediately inform CMHC. SHQ shall carry out all investigations and take all steps necessary to resolve the problem or irregularity, provided that, should CMHC advise SHQ of its desire to actively participate in such investigations or other actions, it shall be permitted to do so. CMHC shall ensure that any information provided to it by SHQ shall remain confidential.

IN WITNESS WHEREOF, Canada Mortgage and Housing Corporation and Société d'habitation du Québec have executed these presents.

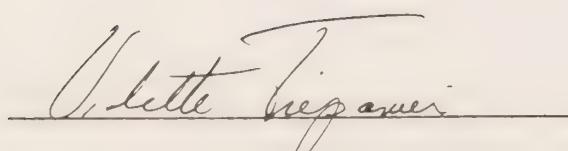
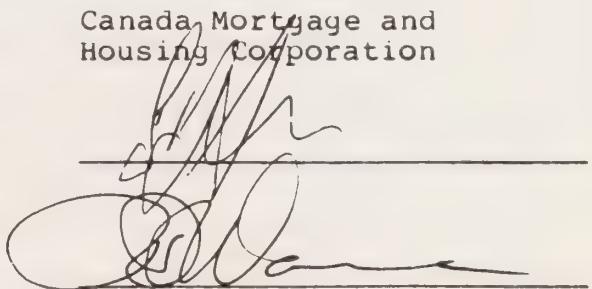
Signed at QUEBEC this 10TH day of JULY nineteen hundred and eighty-six in quintuplicate in the French and English languages, each being equally authentic.

WITNESSED BY:

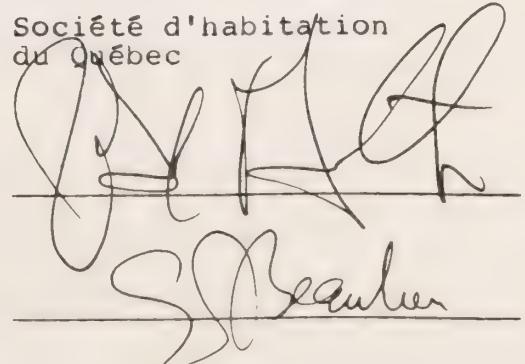


SIGNED BY:

Canada Mortgage and
Housing Corporation



Société d'habitation
du Québec



SCHEDULE C

Calendar for Joint Planning Process

<u>Activity</u>	<u>Date</u>
1. SHQ and CMHC exchange data and information on needs and market conditions by specified geographic area and notify each other of any proposed changes for the upcoming calendar year to the Operating Agreement, including the Schedules.	April 1
2. SHQ submits report to CMHC on determination of need.	Before May 15
3. CMHC advises SHQ of tentative allocations for upcoming 3-year period.	May 25
4. SHQ submits to CMHC a draft of the three-year plan.	June 15
5. The Planning and Monitoring Committee meets to review the proposed level of annual activity by specific geographic area and client type over the three-year period, and to forecast annual budgetary and non-budgetary requirements over this period.	Before July 1
6. The Planning and Monitoring Committee submits proposed plan to SHQ and CMHC for approval.	Before August 1
7. CMHC confirms the budgetary and non-budgetary allocations for year one of the three-year plan.	January 2

SCHEDULE D

FEDERAL RENT-TO-INCOME SCALE

DEFINITION OF INCOME FOR DETERMINING ELIGIBILITY

For purposes of determining Core Housing Need, income means total income (before tax) from all sources for all persons in the household 15 years of age and over, as defined by Statistics Canada in its most recent Household Income, Facilities and Equipment data base documentation.

DEFINITION OF INCOME FOR DETERMINING BENEFITS

For purposes of establishing the rent to be paid, SHQ will assess the annual "adjusted income" of the household in the following manner:

- Assess the income, in whatever form received, of each member of the household; income includes for example:
 - salary, wages, commissions, rents, investment income, part-time earnings, tips, alimony maintenance payments and child support received from a separated or divorced spouse;
 - Unemployment Insurance Benefits, Social Assistance, Mother's Allowance, Welfare;
 - Old Age Security Pension, Guaranteed Income Supplement, CPP/QPP pension, private pensions or annuities;
 - the first \$5 800 income, in whatever form received, of children or dependents of the household.

- Exclude from income the following, for each household member, if applicable:
 - family allowances, if they were included previously;
 - living-out or travelling allowances of any household member;
 - monies received from insurance settlements, inheritance, disability awards, sale of effects, capital gains;
 - the income, in whatever form received, of children or of dependents, if such children or dependents are in full-time school attendance;
 - work-related earnings of a single parent, working spouse or any other household member, excluding the household head, up to \$1 000 per year per qualifying household member;
 - for children or dependents not in full-time school attendance, the above-noted \$1 000 deduction can be applied against income in whatever form received.
- Calculate the total income of all household members, after having considered all eligible income exclusions. The result of this is the "annual adjusted income" of the household.

For the purpose of this rent-to-income scale, a child is a person, related by blood or marriage to other members of the household, and of 25 years of age or less. A dependent is a

member of the household who is considered a dependent of another member of this household per the requirements of Revenue Canada. A dependent of 25 years or age or less qualifies for the same income definitions and exclusions provided to children of the household.

If any member of the household is self-employed, the work-related earnings of this household member will be the annual net income, as defined by Revenue Canada, before any personal income tax deductions, plus any capital cost allowance used in the determination of the above net income.

In all cases, a verification/confirmation of the income of household members must be obtained; for example, a statement signed by the employer, or in the case of the self-employed, a copy of the most recent income tax return or other evidence satisfactory to SHQ.

For the purpose of calculating rent, boarders are considered as members of the household and their income shall be considered on the same basis as other household members in the determination of the rent. Room and board paid to the household head or spouse will not be considered as part of the household's income.

BASIC RENT

The basic rent will be determined on the basis of the household's annual "adjusted income", calculated on a monthly basis, and as applied against the following rent-to-income table.

RENT-TO-INCOME TABLE

MONTHLY INCOME AND RENT

Adjusted Income (\$)	Per Cent	Adjusted Income (\$)	Per Cent
192	16.7	349	23.8
201	17.4	358	24.0
210	18.1	367	24.3
220	18.6	376	24.5
229	19.2	386	24.6
238	19.7	395	24.8
247	20.2	404	25.0
256	20.7	416	25.0
266	21.1	428	25.0
275	21.5	440	25.0
284	21.8	452	25.0
293	22.2	464	25.0
303	22.4	476	25.0
312	22.8	488	25.0
321	23.1	500	25.0
330	23.3	508 and up	25.0
340	23.5		

If the household is in receipt of social assistance, whether or not social assistance is the principal source of income, the basic rent will be the greater of the shelter component of welfare or the rent as determined on the basis of the above table, in conjunction with the household's total adjusted income.

RENT ADJUSTMENTS

- The basic rent is that payment required on the part of the occupant(s) of the dwelling for fully serviced accommodation supplied with heat, water, hot water, stove and refrigerator.
- Where the client of the program must pay for any of the services identified as part of a fully serviced unit over and above their basic rent, such basic rent will be reduced by an amount which will take into account the client's additional expenses.

- Where services other than those identified as part of a fully serviced unit are provided, the basic rent will be increased to reflect the full economic costs of providing such services.
- There will be no rent maximum set unless specifically approved by CMHC.
- For a fully serviced unit, no rent will be set lower than \$32 per month.
- For an unserviced unit, no rent will be set lower than \$22 per month.

SCALE IN USE

SHQ may utilize a rental scale of its own but operating losses eligible for assistance from Canada will be determined on the basis of whichever of SHQ's scale or the Federal Rent-to-Income Scale produces the lowest annual operating losses. Any scale in use must not result in occupant households remaining in core housing need.

CLIENT INCOME FLUCTUATIONS

A client's rent will be set once a year and that rent will not be adjusted during the year for income increases. Rent reductions during the year will however be permitted in instances where a client household supplies documented evidence that its income has decreased to a level which would result in a rent reduction of \$10 per month or more.

SCHEDULE A - 1

NON-PROFIT HOUSING PROGRAM
QUEBEC

Agreement between "Canada Mortgage and Housing Corporation" (CMHC) and "Société d'habitation du Québec" (SHQ).

This Program will be delivered and administered by the Société d'habitation du Québec (SHQ).

1. OBJECTIVE

To assist households in need to obtain affordable, adequate and suitable rental housing.

2. PROGRAM DESCRIPTION

2.1 General Program Parameters:

The Non-Profit Housing Program provides subsidized rental housing projects under the sponsorship of Public or Private Non-Profit Housing Corporations. The maximum annual subsidy payable to any project, without on-site care or support services, is equal to the difference between eligible annual operating costs and revenues.

The maximum annual assistance to special purpose projects is the difference between the amount required to amortize eligible project costs over a maximum of 35 years and the amount required to amortize such costs if the interest rate charged were 2 percent per annum.

Rents are calculated according to the Quebec Rent-to-Income Scale as found in Appendix "1" of this Schedule. Projects may be financed by Quebec through loans secured

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by debentures or privately financed by an uninsured loan or by an NHA insured loan made by an NHA Approved Lender. In all cases loans will be amortized over the lesser of the useful life of the project or 35 years for up to 100% of total lending value.

2.2 Public Non-Profit Housing Corporations

Under public non-profit sponsorship, projects are owned or operated by SHQ or by one of its duly authorized mandataries such as the Société de gestion immobilière (SGI) or any municipal corporation or municipal housing office or the Corporation d'hébergement du Québec (CHQ). Throughout this Schedule the term "Public Non-Profit" will refer to projects under these sponsorship arrangements.

Subsidies for Public Non-Profit Housing Corporations are to be shared 65/35 for commitments made in 1986, 62/38 for commitments made in 1987 and 59/41 for commitments made in 1988, by Canada and Quebec. In 1989 and subsequent years, cost-sharing will be determined in accordance with arrangements described in the Operating Agreement.

Under public non-profit sponsorship, some units/projects will provide subsidized rental housing in northern Inuit communities. Subsidies for these units/projects are to be shared 75/25 by Canada and Quebec.

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2.3 Private Non-Profit Housing Corporations

Under private non-profit sponsorship, projects are owned and operated by Private Non-Profit Housing Corporations and Non-Profit Continuing Cooperative Housing Associations. Throughout this Schedule the term "Private Non-Profit" will refer to projects under these sponsorship arrangements unless specified otherwise.

Subsidies for Private Non-Profit Housing Corporations are to be shared 75/25 by Canada and Quebec.

For private non-profit projects, a competitive project selection process will be used by SHQ, to ensure that the best targeted and most cost-effective projects are committed. Proposal development funding loans may be made available on a cost-shared basis to eligible private non-profit sponsors to facilitate their participation in the process.

2.4 Enabling Federal Legislation

National Housing Act:

- Insured loans - Part I;
- Subsidy Assistance - Section 56.1;
- Proposal Development Funding - Section 37.1.

Enabling Provincial Legislation

Loi sur la Société d'habitation du Québec:

(Lois refondues du Québec, c. S-8 and its regulations)

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3. ELIGIBILITY CRITERIA

3.1 Sponsors

Eligible sponsors/owners are Public or Private Non-Profit Housing Corporations which are eligible contribution recipients as defined in the Act. All capital or shares in a Public Non-Profit Housing Corporation will be owned by a public body, including a municipality, province or other level of government. No capital or shares in a Private Non-Profit Housing Corporation will be owned by a public body. The shares in a Non-Profit Continuing Cooperative Housing Association are owned by the members.

Sponsors/owners will establish 31 December as the financial year-end for each project to be approved under this program.

3.2 Clients

Eligible clients are those households who are in core housing need, as defined in the Global Agreement, with total household income, as defined in Appendix "1", which falls below the core need income threshold, and those with a special purpose housing need.

3.3 Projects

Projects can be developed through new construction, the purchase of existing housing with or without subsequent rehabilitation, and the conversion of existing buildings. Any building form which can be produced at costs acceptable to CMHC and SHQ will be eligible for assistance

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under the program. Projects may include compatible non-residential community, care or commercial space which is financially self-supporting. At least 5% of the units produced under the program each year, in non-special purpose projects, will be accessible and designed as "mobility" units, as defined in program guidelines. Demand will be considered in determining the number of "mobility" units in any particular private non-profit project. Further modifications to these units may be undertaken to meet the needs of particular clients. As outlined in program guidelines, such modifications are eligible for cost-sharing.

3.4 Occupants

SHQ will ensure that all households selected to occupy projects/units receiving cost-shared assistance under the program are households in need. As a first priority, "mobility" units are to be occupied by households in need in which at least one person is physically disabled.

4. ELIGIBLE PROJECT COSTS/ASSISTANCE

4.1 Proposal Development Funding

Interest-free loans of up to \$75 000 per project will be provided by SHQ to support the development of the eligible portion of project proposals by private non-profit groups intending to serve low income individuals and families and the disabled. Non-budgetary and budgetary funds associated with these loans will be

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shared on a 75/25 basis by Canada and Quebec. Interest and administrative charges on PDF loans made by a third party on behalf of SHQ, are not eligible for cost-sharing and will be paid by SHQ and not charged to project sponsors or included in eligible project capital costs.

The maximum loan to any sponsor will depend on the size and complexity of the eligible portion of the proposed project and the work to be done in each successive phase of project development. Activities for which funding may be provided include: incorporation; legal cost; demand studies; best buy analysis; economic feasibility analysis; soil tests; site plans; drawings and specifications; preliminary capital and operating cost estimates; and options/offers to purchase.

Initial proposal development funding loans of up to \$10 000 per project may be provided to enable eligible sponsors to prepare applications for conditional allocations. Where new construction or major renovations are planned, the initial loan may be increased by \$150 per planned eligible unit, up to a cumulative maximum of \$30 000. Further loan increases can be provided to a cumulative maximum up to the lesser of \$750 multiplied by the number of eligible units or \$75 000 per project, to enable sponsors, who have been awarded a conditional allocation, to complete all outstanding requirements for a timely commitment.

4.2 Eligible Project Capital Costs

A project's total eligible costs pertain only to the units committed under the program and are for the residential portion only, as specified in program guidelines. These costs include, but are not limited to, land acquisition and servicing, construction/rehabilitation/conversion, landscaping costs, resource group/consultant fees, organization expenses, interest and other fees and charges as outlined in program guidelines, and must not exceed the lesser of the actual eligible costs or the Maximum Unit Price applicable to the units at the time of commitment.

Interest rates on private financing must be competitive and acceptable to CMHC and SHQ. Interest rates used where debenture or Quebec financing is provided by SHQ shall not exceed the lowest rate available from major NHA approved lenders for comparable loans.

4.3 Ineligible Project Capital Costs

Projects may contain residential dwelling units in addition to those committed under the program as well as non-residential space. No costs associated with the development, financing or operation of the additional units or non-residential space will be eligible for cost-shared assistance under the program. Ineligible residential and non-residential costs will include a prorated share of the project's soft costs, the land value, and costs of mechanical systems.

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4.4 Acceptable Project Capital Costs/Lending Value

Acceptable project costs, used to determine the lending value, are the eligible costs within the Maximum Unit Price, the cost of the ineligible residential portion plus the cost of additional non-residential space which cannot exceed 15 percent of the cost of the residential portion of the project and 20 percent of its floor area.

4.5 Costs Eligible for Assistance

Only the actual eligible project costs of the residential component of a project within the Maximum Unit Price are eligible for cost-shared subsidy assistance.

4.6 Insured Loans

In accordance with paragraph 13 of the Operating Agreement, approved lender loans for up to 100% of a public and private non-profit project's acceptable capital costs/lending value can be insured by CMHC under Part I of the Act. SHQ will ensure that insured loans to all eligible sponsors will be at interest rates and terms acceptable to CMHC at the time of commitment.

5. PROJECT SELECTION/DELIVERY PROCESS

5.1 Targeting

SHQ will ensure that all units in this program are allocated within all Census Metropolitan areas, Sherbrooke Census area and geographic areas specified in the Operating Agreement and to priority groups in accordance with

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the approved three-year plan attached as Schedule B of the Operating Agreement. Taking into account the planning process, SHQ shall assist families and senior citizens within the priority groups with the intent to direct assistance in accordance with their share of core housing need relative to each other. Within the core housing need income limits, the number of units directed to households at the upper income levels shall not exceed their proportionate share of need.

SHQ will ensure that a proportion of the annual allocation under this program, to be agreed upon with CMHC, and specified annually in Schedule B of the Operating Agreement, is made available to the Inuit under Public Non-Profit auspices and to Private Non-Profit Housing Corporations.

5.2 Project Selection

SHQ will retain an allocation for the projects it intends to own and other public and private non-profit sponsors will be awarded conditional allocations to support their continuation in the project development process and the achievement of a timely commitment. A conditional allocation is not a commitment and can be withdrawn should it become evident that a proposal will be unable to meet all project eligibility and commitment criteria or the deadline for a final application.

Projects selected for conditional allocations will meet selection criteria acceptable to CMHC and SHQ and will

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be the most cost-effective available in terms of the annual amortization portion of subsidy requirements for the given unit type mix. Cost-effectiveness will be separately determined for family and senior projects. It is based on the ratio of estimated eligible project costs less related equity contributions, to its Maximum Unit Price. Projects with the lowest ratio will be considered the most cost-effective.

5.3 Project Selection - Public Non-Profits and all Special Purpose

SHQ will develop and select the best targeted and most cost-effective public non-profit and all special purpose projects after weighing the relative merits of new construction versus the acquisition of existing structures and after assessing the costs and benefits of various housing acquisition techniques appropriate to local market conditions.

5.4 Project Selection - Private Non-Profits

Projects to be developed by Private Non-Profit Housing Corporations will be selected, wherever demand may exceed the allocation in a market area, on the basis of a competitive process. This process will be described in Schedule B of the Operating Agreement and will allow the comparison of proposals on the basis of criteria and cost-effectiveness measurements acceptable to CMHC and SHQ prior to the awarding of proposal development funding or a conditional allocation. Where demand is less than the

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allocation in a market area, SHQ will take steps to ensure the development of appropriately targeted and cost-effective projects.

6. COMMITMENT

6.1 Proposal Development Funding

A proposal development funding loan commitment is deemed made each time SHQ approves a proposal development loan or loan increase, to a cumulative maximum of \$75 000 for each eligible private non-profit project.

The reporting of budget take-up shall be dollars of capital committed. Dollars of capital equals the amount of the loan approved at each stage of project selection.

6.2 Criteria for Project Commitment

Prior to approving a commitment of subsidy assistance or requesting CMHC to approve an undertaking to insure, SHQ will ensure that each commitment application meets all the Non-Profit Housing Program criteria and guidelines, without conditions which are beyond the power of the contracting parties to fulfill within the calendar year in which the commitment is made, and Section 13 of the Operating Agreement, where applicable.

6.2.1 Subsidy Assistance:

A commitment of subsidy assistance is deemed made when SHQ approves a notice of commitment guaranteeing the

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provision of federal assistance under Section 56.1 of the Act and Quebec assistance under the Loi sur la Société d'habitation du Québec (Lois refondues du Québec, c. S-8 and its regulations), subject to the execution of this agreement for Quebec-owned projects and a project operating agreement between SHQ and the owner of other projects.

6.2.2 Term of Subsidy Commitment:

The approved notice of commitment obligates SHQ and CMHC to provide operating assistance to the project for a period of 35 years or the useful life of the project as agreed to by the parties, whichever is less.

6.2.3 Reporting Commitments:

The reporting of the authorized budget take-up shall be in terms of the number of units committed to be reported as specified in the Operating Agreement. "Unit" means a unit or bed where a unit is a self-contained dwelling in detached or multiple housing form to be occupied by one eligible household; and a "bed" is the bed to be occupied by each individual resident in a special purpose housing project or hostel.

6.2.4 Loan Insurance:

An undertaking to insure capital financing is deemed made when CMHC approves an undertaking to insure under Part I of the Act.

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6.2.5 Commitment Notification/Publicity:

All news releases or announcements pertaining to an allocation or commitment to a project will be in accordance with the Operating Agreement and mutually agreed program guidelines.

7. ADVANCING

7.1 Proposal Development Funding Loans

SHQ will be responsible for approving and authorizing accountable advances on proposal development funding loans, either directly or through third parties, on behalf of CMHC and SHQ. Such advances shall be secured by a promissory note and repayable from the first project loan advance.

7.2 Insured Loan Advances

SHQ will provide bridge financing where insured loans are secured by debentures and will be responsible for approving progress advances where insured loans are secured by mortgages in accordance with the Operating Agreement and program guidelines. Such advances will be made only after SHQ has entered into a project operating agreement with each project sponsor. SHQ will provide CMHC access to all records and documentation pertaining to the authorization of insured loan advances.

7.3 Construction

SHQ will be responsible for inspecting and monitoring all projects during construction to ensure compliance with the

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plans and specifications and applicable building codes and standards, and to determine the value of work in place.

7.4 Final Costs

SHQ will provide CMHC with a certified statement of final capital costs prepared in accordance with program guidelines for all approved projects no later than six months after the Interest Adjustment Date as defined in and on a form specified in program guidelines.

8. PROJECT/PORTFOLIO ADMINISTRATION

8.1 Project Operating Agreements

All public and private non-profit sponsors, except SHQ, will enter into a project operating agreement, in a form specified in program guidelines, with SHQ before receiving a commitment for subsidy assistance. Without limiting its scope, the project operating agreement will specify:

Publicity measures, rentals (tenant income verification, rent adjustments and application of the rent-to-income scale); leasing of housing units; contributions; other assistance; sale of project/units; care facilities/special purpose housing; project management; commercial and non-residential facilities; annual review; encumbrances; articles of incorporation/charges; books; accounts; audits; loan repayment; replacement reserves; discrimination; retention of documents; default; mortgage rollover; and interest rates.

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Where SHQ owns or operates a project, all the above provisions of a project operating agreement shall apply and this Schedule shall be deemed to be the project operating agreement referred to in Section 91.1 of the National Housing Loan Regulations.

8.2 Project Administration

8.2.1 Project Advances:

SHQ will ensure public and private non-profit sponsors are advanced sufficient funds to cover project operating losses during the course of their fiscal year.

8.2.2 Financial Year-ends:

SHQ will ensure that owners/sponsors of each project approved under this program have financial year-ends on 31 December.

8.2.3 Project Monitoring:

SHQ will monitor and undertake regular on-site inspections and financial reviews to ensure that project sponsors manage their projects prudently and cost-effectively and continue to respect all conditions in their project operating agreements during the period of the insured loan and payment of contributions by Canada and Quebec.

8.2.4 Modernization and Improvement:

Expenditures for the modernization, improvement and regeneration in excess of \$100 000 per project or

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\$1 000 per unit in any one year must be part of a comprehensive portfolio management strategy and explicitly identified in Schedule B of the Operating Agreement or be approved by CMHC on a project basis.

8.2.5 Prepayment:

The prepayment of the outstanding loan balance, the sale of a project/unit or a change in a project's charter can only take place in accordance with program guidelines or with the approval of CMHC and SHQ.

8.2.6 Management Training:

SHQ may provide training and other aids to assist public and private non-profit sponsors to manage their projects effectively. Such expenditures can be cost-shared and will be charged against management/administration within a project's annual operating budget.

8.2.7 Projects in Difficulty:

In the event that projects get into financial difficulty, SHQ will advise CMHC and secure its approval of any solution or action that will affect the amount of the financing or the amount of subsidy assistance paid each year on the basis of eligible project costs.

8.3 Income Verification

SHQ ensures that all project sponsors verify, at least annually, the adjusted income of the households occupying

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units in the project and will take steps to ensure that the rent to be charged is adjusted accordingly and in a manner described in Appendix "1" of this Schedule.

8.4 Portfolio Administration

SHQ will participate with CMHC and other provincial and territorial housing corporations in addressing portfolio management problems, issues and opportunities, in an ongoing effort to achieve economies and efficiencies.

9. ELIGIBLE PROGRAM COSTS:

The eligible program costs for Public Non-Profit Corporations will be shared 65/35 for commitments made in 1986, 62/38 for commitments made in 1987 and 59/41 for commitments made in 1988, by Canada and Quebec.

The eligible program costs for Public Non-Profit Inuit and Private Non-Profit Housing Corporations/Cooperatives will be shared 75/25 by Canada and Quebec.

The cost-sharing arrangements applying in the year of commitment will apply throughout the full term of the subsidy commitment.

9.1 Non-Budgetary Expenditures

CMHC and SHQ will share 75/25 the cost of eligible non-budgetary expenditures associated with interest-free proposal development funding loans to assist private

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non-profit sponsors to develop project proposals. SHQ will claim on a monthly basis reimbursement from CMHC for CMHC's share of PDF advances made either directly or through third parties.

9.2 Budgetary Expenditures

9.2.1 Proposal Development Funding:

Eligible budgetary expenditures include the forgiveness of any loan if a project does not proceed to commitment. The interest costs incurred by each party on its respective share of loan advances will not be cost-shared.

9.2.2 Project Operating Losses:

Subsidies for the eligible portion of projects without on-site care or support services are based on the difference between the eligible portion's share of actual annual operating costs and revenues, with rents based on household adjusted incomes and the rent-to-income scale as specified in Appendix "1" of this Schedule.

SHQ will utilize a rental scale of its own but operating losses eligible for assistance from Canada will be determined on the basis of whichever of the Quebec scale attached in Appendix "1" or the Federal Rent-to-Income Scale produces the lowest annual operating losses. Any scale in use, combined with any rent surcharge from clients paying "in lieu" of municipalities, must not result in occupant households remaining in core housing need.

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Without limiting the scope, listed below are the revenue and expense line items which are acceptable to CMHC and SHQ for cost-sharing:

- Revenues: rents; parking; laundry; other.
- Operating: taxes; insurance; maintenance; management; janitor; space heating; electrical power; water; sewer; garbage removal; modernization/ improvement/regeneration; replacement reserves (for private non-profit projects); training; depreciation (equal to principal reduction on loan) and loan interest.

Subsidies for special purpose projects shall not exceed the difference between (a) the amount required to amortize the eligible project costs within the Maximum Unit Price of the housing project at an interest rate acceptable to CMHC and SHQ over thirty-five years or the life of the project, whichever is less; and (b) the amount required to amortize the eligible cost of the project if the interest rate charged on such costs were two percent per annum calculated semi-annually and not in advance.

9.2.3 Program Delivery and Administration:

The eligible costs of delivery and administration shall be based on performance standards acceptable to CMHC and SHQ.

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9.2.4 Financing Interest:

Any financing interest payable on budgetary receipts and disbursements will be calculated at an interest rate acceptable to CMHC and SHQ. Interest in such cases will be calculated on net expenditures to the date of reimbursement.

9.2.5 Publicity:

The cost of program and project publicity measures and materials as agreed upon by SHQ and CMHC are eligible program costs.

10. BUDGETING AND CLAIMS

The financial reporting requirements for budgeting and claims are outlined in Appendix "3" to this Schedule and specified in program guidelines.

11. INFORMATION REQUIREMENTS

SHQ will ensure that all information requirements outlined in Appendix "2" of this Schedule and specified in program guidelines, are provided to CMHC.

Proposal development funding commitment information will be provided no later than five (5) working days after a commitment is made.

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Where a competitive selection process for conditional allocations is being held prior to full project commitment, summary information on each project accepted and rejected will be provided by BCHMC to CMHC within 30 days following selection but no later than 30 September of the year in progress.

Commitment data will be provided no later than five (5) working days after a commitment is made. Updates to previously communicated commitment data will be transmitted on a similar basis.

Special program or project details permitting the drafting and distribution of news announcements pertaining to program and project allocations and commitments will be described in program guidelines.

Information pertaining to clients served by the program will be obtained once a year and no later than 31 March of the subsequent year. This will provide details on clients served in all units under administration or receiving subsidies, as at 31 December of that year. Annual client data may be provided on the basis of a sample of projects, which is mutually agreed upon in advance by CMHC and SHQ.

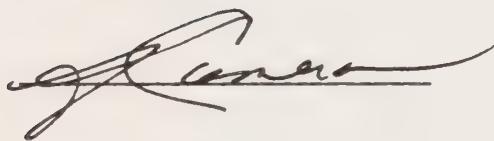
- 22 -

Annual project operating data will support the final audited statement of expenditure and this, along with client information, will be used as the basis for adjustments in federal payments of subsidy assistance, if necessary.

In Witness Whereof, Canada Mortgage and Housing Corporation and Société d'habitation du Québec have executed these presents.

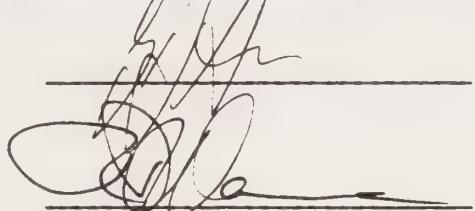
Signed at QUEBEC this 10th day of JULY
nineteen hundred and eighty-six in quintuplicate.

WITNESSED BY:

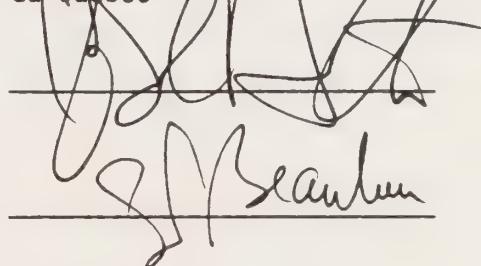


SIGNED BY:

Canada Mortgage and
Housing Corporation



Société d'habitation
du Québec



PROGRAM ELIGIBILITY

DEFINITION OF TOTAL HOUSEHOLD INCOME

For purposes of determining eligibility under this program, total household income is the total income of the household (before tax) from all sources for all persons in the household 15 years of age and over, as defined by Statistics Canada in its most recent Household Income, Facilities and Equipment data base documentation.

RENT-TO-INCOME SCALE

DEFINITION OF INCOME FOR DETERMINING BENEFITS

For the purpose of establishing the rent to be paid, SHQ will assess the annual "adjusted income" of the household in the manner outlined in the Quebec Rental Scale.

QUEBEC RENTAL SCALE

An Act respecting the Société d'habitation du Québec
(R.S.Q., c.-S-8, s. 86, pars. g and 1)

Bylaw respecting the leasing of low-rental housing

1. In this Bylaw, unless the context indicates otherwise:

"head of the household" means a person who is the regular provider for the needs of a household or, in the case of a current lease, the lessee;

"spouse" means a person who cohabits with the person to whom he is married or who lives with a person in a conjugal relationship;

"household" means any person or group of persons occupying a dwelling unit;

"independent person" means:

- a person of full age living with the head of the household and whose income is equal or greater than the benefits granted under the Social Aid Act (R.S.Q., c. A-16), for the ordinary needs of an individual 30 years of age or more, able to work and not living with a relative or child. Notwithstanding the foregoing, a child of the head of the household or of his spouse, who is less than 21 years old on the date the lease takes effect, is not an independent person; or
- a person who receives a pension or a spouse's allowance under the Old Age Security (R.S.C. 1970, c. O-6);

"rental rate" means the relation between the basic rent and the income taken into consideration for the calculation of that rent.

2. A person's income is his total gross income for the calendar year preceding the date the lease takes effect, excluding the following:

- (1) a tax refund or a tax credit;
- (2) an amount received by a foster family for taking charge of a recipient, granted under the Social Aid Act and the Act respecting health services and social services (R.S.Q., c. S-5);
- (3) financial assistance granted under the Act respecting child day care (R.S.Q., c. S-4.1);
- (4) an availability allowance granted under the Taxation Act (R.S.Q., c. 1-3);
- (5) a family allowance;
- (6) a work income supplement benefit;
- (7) a bursary or scholarship received by a person other than the head of the household who attends a public educational institution or a private educational institution recognized as being in the public interest by the (ministère de l'Education).

Income shall be reduced by the following amounts:

- (1) maintenance paid by the person under an order or judgment of a court of competent jurisdiction;

(2) hospital charges in a long-term care hospital or shelter costs in a reception centre paid by the pension and the monthly amount of social aid granted him to supply his ordinary needs as defined in section 5 of the Social Aid Act (R.S.Q., c. A-16).

3. The income taken into consideration for the calculation of the basic rent is the total income of the head of the household and, where applicable, the income of the independent person having the highest income. Notwithstanding the foregoing provision, that part of this income so taken into consideration which arises from work is reduced by 10%; this provision is applicable to a lease taking effect on or after 1 January 1984.

For the purposes of this section, a child of the head of the household or of his spouse, under 25 years of age on the date when the lease takes effect, is not an independent person.

4. The basic rent is equal to 25% of the income calculated in section 3.

5. Notwithstanding section 4, the basic rent may not be less than 25% of the benefits granted under the Social Aid Act, for the ordinary needs of an individual 30 years of age or more, able to work and not living with a relative or child.

6. The basic rent includes the following services; heat, hot water, taxes related to the dwelling unit and an outdoor parking space where such spaces are specified for that purpose.

It also includes supplying a stove and a refrigerator under a lease in force on 31 December 1984 or under a lease in force after that date if the space provided in the dwelling does not make it possible to install a stove and a refrigerator, each 765 millimetres in width.

7. For each independent person other than the one described in section 3, an amount is added to the basic rent equal to 25% of the maximum rent for a room taken into consideration for the calculation of the rental allowance paid in accordance with the [Programme d'allocation-logement en faveur des personnes âgées (LOGIRENTE)], approved by Order in Council 1362-83 dated 22 June 1983, as amended from time to time.

8. The following monthly charges are added to the basic rental:

(1) for use of electricity, excluding heat and hot water, \$16.55 for a bachelor apartment, \$18.75 for a one-bedroom dwelling unit and \$2.20 for each additional bedroom.

Those amounts are indexed* annually in proportion to the increase in the rates charged by Hydro-Québec for electricity used for residential purposes.

(2) a charge of \$3 where the lessee has outdoor parking equipped with an electrical outlet;

(3) \$15 where the lessee may use a garage or an indoor parking space;

(4) for any additional parking space provided to the lessee in addition to the one referred to in section 6, \$15 for an outdoor parking space, \$25 for a parking space equipped with an electrical outlet for a block heater and \$45 for a garage or and indoor parking space.

* Amounts indexed since 1 May 1986: \$17.85 for a bachelor apartment, \$20.20 for one-bedroom dwelling unit and \$2.35 for each additional bedroom.

9. For each stove or refrigerator not supplied by the lessor to a lessee in residence on 31 December 1984, an amount of \$1.50 per appliance shall be deducted monthly from the basic rent.
10. The cost for use of a washing machine or dryer is 50 cents per use. The lessor shall comply with the rate before 1 January 1985.
11. The rent payable by a lessee who applies for a rent reduction following a decrease of income or a change in the make-up of the household is calculated on the basis of the presumed income for the period for which the reduction is granted.

No application involving a monthly rent reduction of less than \$10 may be considered.

Notwithstanding the foregoing, the reduced basic rent may not be less than 25% of the reduced income.

The lessor shall inform the lessee of his decision within a 30-day period from the date the application is filed.

12. The rent calculated in accordance with section 11 takes effect the month following the month the application is filed and remains in force for a period of 3 months or until the lease is renewed, whichever period is shorter.

At the expiry of that period, where the reason for the rent reduction is a decrease in the lessee's income, the previous rent comes back into force unless the lessee justified his need for a continued reduction for a new period.

13. The lessee shall provide the lessor with the name of the persons living with him and the evidence required for a declaration of income. The information shall be provided within one month from the lessor's request.

14. A lease is effective for a period of 12 months.

Notwithstanding the foregoing provision, a lease concluded with a new lessee or with a lessee described in article 1662.7 of the Civil Code may be effective for less than 12 months.

15. Notwithstanding section 4, a lessee's rental rate in force on 1 March 1982 which was increased by 1% at the first renewal of his lease is increased by 2% at each subsequent renewal until it reaches 25%.

A rental rate in force on 1 March 1982 which was not increased, for a lessee living alone and receiving social aid, is increased by 1% at the next renewal of his lease, and by 2% at each subsequent renewal until it reaches 25%.

16. A lessee's rental rate, on the date the immovable in which he lives is acquired by the [Société d'habitation du Québec], is increased in accordance with section 15 if the dwelling unit becomes low-rental housing.

A lessee's rental rate for a dwelling unit with regard to which a rent supplement was paid in accordance with the Act respecting the [Société d'habitation du Québec] is also increased in accordance with section 15.

17. This Regulation does not apply to dwelling units belonging to the Corporation which are located north of the 55th parallel and which serve the Inuit population.

18. This Bylaw replaces the Bylaw respecting the leasing of low-rental housing approved by Order in Council 256-82 dated 8 February 1982 and modified by Order in Council 1269-82 dated 26 May 1982, 1398-82 dated 19 June 1982 and 2469-84 dated 7 November 1984.

INFORMATION REQUIREMENTS: SUMMARY

Pre-Commitment (for Competitive Situations ONLY):

- . this data is provided following the completion of conditional unit allocations;
- . the following generic data elements are provided for each project accepted or rejected in the project selection process:
 - sponsor's name and address;
 - proposed project's description:
 - location codes,
 - client type,
 - number of units by unit and building form,
 - new and existing,
 - maximum unit price;
 - proposed project costs:
 - total estimated costs,
 - cost (less equity) to MUP ratio,
 - equity contribution;
 - reasons for refusal of proposal (in narrative form).

Commitment Data:

- . this data is submitted by way of Notice of Commitment forms;
- . the Notice of Commitment forms contain the following generic data elements:
 - client type served;
 - project location, codes and address;
 - applicant details, type, name and address;
 - proposal development funding (PDF):
 - amount approved,
 - amount previously approved,
 - account identification information;
 - project description:
 - description of building,
 - number of eligible and ineligible units by unit and building type,
 - use of floor area,
 - maximum unit price;
 - financial data pertaining to eligible and ineligible portions:
 - project financing, amount, terms, rates,
 - equity,
 - grants;
 - project eligible and ineligible capital costs:
 - land,
 - improvements (acquisition, construction, renovation, soft costs),
 - appraisal estimate;
 - project eligible and ineligible operating data:
 - eligible costs and revenues,
 - other costs and revenues,
 - subsidies, amount and sources;

Commitment Data: (Cont'd)

- project procurement and acquisition technique;
- account identification information.
- . this information, or part of it will be updated through a project's life cycle (eg. at commitment of PDF and Section 56.1 assistance, at establishment of IAD, at final audited capital costs).

Client Data:

- . this data is provided once a year and pertains to those eligible clients receiving assistance that year (may be obtained through sampling of client records);
- . the data provided will pertain to:
 - household composition,
 - household income and its source,
 - Native ancestry,
 - presence of special needs,
 - size and type of dwelling occupied,
 - rent paid,
 - condition and affordability of household's previous dwelling (only for clients newly served during the year).

Project Operating Data:

- . this data is provided once a year and contains the following generic data elements segregated for eligible and ineligible costs and revenues as applicable:
 - amortization (principal and interest),
 - project operating costs (such as financing charges, utilities, maintenance and replacement reserves),
 - project revenues (such as rents, parking and laundry),
 - management expenses,
 - modernization and improvements.

BUDGETING AND CLAIMS

The financial reporting requirements for budgeting and claims can be grouped by the following categories:

- A. Budget Preparation
- B. Budget Administration
- C. Commitments
- D. Claims
- E. Annual Information - Audited
 - Unaudited
- F. Budgetary Expenditure Accruals

For the Non-Profit Program, all budgeting, claims and reporting will be segregated into the following activities unless otherwise indicated:

Non-profit - Private - Regular
Non-profit - Private - Special Purpose
Non-profit - Co-ops
Non-profit - Public - Regular
Non-profit - Public - Special Purpose
Proposal Development Funding

A. BUDGET PREPARATION

A three-year financial plan is developed on an annual basis as part of the joint planning process. It identifies planned commitment levels, expenditure levels, and cash flow patterns over the planning period which includes the budget year and the following two years. Commitment activity is planned on a calendar basis whereas expenditure activity is planned on a 31 March fiscal year basis. Cash flow is presented on both a calendar and fiscal year basis for five years. Commitment, expenditure and cash flow estimates for the year preceding the budget year and the two years following the budget year are presented for planning, information and monitoring purposes only.

Budget limits for the budget year are established in Schedule B to the Operating Agreement.

Three-year plans will be established by activity for the following areas:

- 1. Commitments - Units
- 2. Commitments - Non-budgetary
- 3. Budgetary Expenditures
- 4. Cash Flow Forecast - Budgetary
 - Non-budgetary

1. Commitments - Units

Schedules of units committed and units placed under subsidy will be used to derive the forecasts of budgetary expenditures.

Data on characteristics of the proposed units (split between new construction and existing construction, average unit capital cost, total capital costs of the units that will be amortized, projected interest rates, average length of the subsidy, amortization terms, average annual operating costs and proposed dates of subsidy commencement ("phase-in rates")) will be required to support the calculations of budgetary expenditures.

A. BUDGET PREPARATION (Cont'd)

2. Commitments - Non-budgetary

Commitments for Proposal Development Funding will be expressed in terms of non-budgetary dollars required. The projected average loan amount and the number of units/projects assisted by Proposal Development Funding will also be provided. Commitments required in accordance with the Loan Insurance Agreement to finance the acquisition of a project in default will be expressed in terms of non-budgetary dollars required.

3. Budgetary Expenditures

For Non-profit, budgetary expenditures will be displayed by type of expenditure (i.e. operating costs, revenues, amortization, modernization and improvement, delivery and administration costs, and financing interest) in accordance with program guidelines.

For Proposal Development Funding, the amount of loan forgiveness and the interest rate losses arising from the provision of interest-free loans will be provided.

Funds required to administer projects acquired in accordance with the Loan Insurance Agreement will be reported separately.

4. Cash Flow - Budgetary

A summary of the expected quarterly cash flow of budgetary expenditures will be provided to assist in cash management.

- Non-budgetary

A summary of the expected quarterly cash flow of non-budgetary expenditures for Proposal Development Funding will be provided to assist in cash management.

B. BUDGET ADMINISTRATION

The approved annual budget is contained in Schedule B of the Operating Agreement. Changes to an approved budget must be determined and communicated in accordance with the Operating Agreement and the guidelines.

C. COMMITMENTS

Commitments for assistance under the Non-Profit Program will be reported in units; commitments for Proposal Development Funding will be reported in capital (non-budgetary) dollars.

Commitments will be submitted to CMHC on a mutually acceptable commitment form by SHQ within five (5) working days after making the commitment.

CMHC will acknowledge receipt of commitment.

D. CLAIMS

Claims for settlement between SHQ and CMHC will be submitted on a monthly basis within thirty days of the end of the month to which the transactions relate. Claims will contain sufficient information to permit:

- a) interim verification that the amounts being claimed or remitted are reasonable and within approved budgets;
- b) the recording of the necessary accounting entries relating to budgetary and non-budgetary expenditures and asset balances; and
- c) the monitoring of the status of the portfolio through continuity schedules of units committed, units under subsidy and asset balances.

The entire financial activity of the program shall be reported by SHQ, together with each party's proportionate share of expenditures.

Budgetary expenditures related to prior year accruals will be deducted from net cash expenditures claimed in the first month of the next fiscal year.

Amounts claimed for budgetary expenditures may be based upon estimates of actual activity. Estimates must be adjusted to actual on a periodic basis in accordance with program guidelines.

The monthly claim for the Non-Profit Program will include:

1. Continuity Schedule: Units Committed/Under Subsidy

This schedule is required to monitor the number of units that have been committed in the program, those that are receiving subsidies, and those that are committed but not yet receiving assistance ("outstanding commitments").

Information provided includes the number of units committed, cancelled, or placed under subsidy during the month, and the number of units receiving subsidies during the month.

2. Continuity Schedule: Proposal Development Funding Loans

This report is required to monitor the number and amount of loans that have been committed, advances on those loans, outstanding commitments, loans forgiven and loan repayments.

3. Expenditures

A report of actual expenditures made or an estimate of expenditures incurred during the month is required to monitor the financial impacts of the program and to inform CMHC of its share of the expenditures.

The expenditures will be displayed by program activity and the following expenditure categories: net operating subsidies for eligible units, delivery and administration costs, financing interest, and Proposal Development Funding. Sufficient data will be provided to support the delivery and administration costs claimed in accordance with predetermined standards. It is not necessary to provide detailed information in support of the amounts claimed monthly for delivery and administration costs.

It is understood that financial data for purposes of the interim claims process, will be derived from data taken from accounting records indicating the amount of the contributions paid out by SHQ rather than using actual operating data from the agencies.

The report will also disclose the respective share of the expenditures of SHQ and CMHC and the amounts for which reimbursement is being requested by SHQ.

E. ANNUAL INFORMATION - AUDITED

The audited statement of budgetary and non-budgetary expenditures will provide an independent verification of the proper use of funds in accordance with the Operating Agreement and program guidelines and will be used to determine the final amount payable to or recoverable from SHQ for the calendar year ending 31 December.

The audited statement and its supporting schedules will contain information for the calendar year at a level similar to that provided on the monthly claims.

This statement and its supporting schedules will be accompanied by operating data at the project level as outlined in Appendix "2" (Information Requirements) of this Schedule and summarized by program activity. Project level data will include information on both eligible and ineligible costs and on designated and non-designated units. Project level data will be provided on a calendar year basis and will be reconciled in total to the calendar year expenditure amounts. Project level operating data will be audited in accordance with program guidelines. Budgetary expenditures will be broken down by year of commitment in a supporting schedule.

Audited information will be submitted no later than 30 June.

ANNUAL INFORMATION - UNAUDITED

Annual outstanding commitment and asset balance information as at 31 December will be submitted for planning and monitoring purposes and to support information contained in CMHC's records.

Outstanding commitment information will be classified by year of commitment approval. This will include detailed listings of projects committed and not yet receiving assistance and proposal development funding not fully advanced.

This information is required to reconcile the detailed asset and commitment files maintained by CMHC to those of SHQ.

Unaudited information must be submitted to CMHC no later than 31 January.

F. BUDGETARY EXPENDITURE ACCRUALS

Budgetary expenditures which have been incurred but not disbursed with the fiscal year ending 31 March and which, in accordance with program guidelines, should be charged to the budget for that year, will be reported by SHQ by 30 April. This information will be certified by a senior financial officer of SHQ.

SCHEDULE A - 2

URBAN NATIVE NON-PROFIT HOUSING PROGRAM
QUEBEC

This Program will be delivered and administered by the Société d'habitation du Québec (SHQ).

1. OBJECTIVE

To assist Native households in need to obtain affordable, adequate and suitable rental housing.

2. PROGRAM DESCRIPTION

The Urban Native Non-Profit Housing Program provides subsidized rental housing projects in urban areas as defined in the Operating Agreement. Projects will be owned and operated by Native sponsored Private Non-Profit Housing Corporations and Native Non-Profit Continuing Cooperative Housing Associations. The maximum annual subsidy payable to any project, without on-site care or support services, is equal to the difference between eligible annual operating costs and revenues, and is shared on a 75/25 basis by Canada and Quebec. The maximum annual assistance to Native sponsored special purpose projects is the difference between the amount required to amortize eligible project costs over a maximum of 35 years and the amount required to amortize such costs if the interest rate charged were 2 percent per annum, shared on a 75/25 basis by Canada and Quebec.

Rents are calculated according to the Quebec rent-to-income scale as found in Appendix "1" of this Schedule.

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Projects may be financed by Quebec or privately financed by an uninsured loan or by an NHA insured loan made by an NHA approved lender. In all cases loans will be amortized over the lesser of the useful life of the project or 35 years for up to 100% of total lending value.

Proposal development funding loans may be made available on a cost-shared basis to eligible Urban Native non-profit sponsors and continuing cooperative associations to assist in the development of their projects.

Rural and Native Housing (RNH) Training Funds will be provided on a cost-shared basis to enable Native Non-Profit sponsors to meet their program responsibilities. The RNH Training Funds Programs, including activities related to secondment, cadre and client training, are described in Urban Native Non-Profit Program Guidelines.

Enabling Federal Legislation

National Housing Act:

- Insured loans - Part I;
- Subsidy Assistance - Section 56.1;
- Proposal Development Funding - Section 37.1;
- RNH Training Funds Program - Paragraph 37(1)(e).

Enabling Provincial Legislation

Loi sur la Société d'habitation du Québec

(Lois refondues du Québec, c. S-8 and its regulations)

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3. ELIGIBILITY CRITERIA

3.1 Sponsors

Eligible sponsors/owners are Native Private Non-Profit Housing Corporations and Native Non-Profit Continuing Cooperative Housing Associations which are eligible contribution recipients defined in the Act. No capital or shares in a Private Non-Profit Housing Corporation will be owned by a public body. The shares in a Non-Profit Continuing Cooperative Housing Association are owned by the members.

Sponsors/owners will establish 31 December as the financial year-end for each project to be approved under this program.

3.2 Clients

Eligible clients are Native households in core housing need, as defined in the Global Agreement, with total household income, as defined in Appendix "1", which falls below the core need income threshold, and those Native households with special purpose housing need.

3.3 Projects

Projects can be developed through new construction, the purchase of existing housing with or without subsequent rehabilitation, and the conversion of existing buildings. Any building form which can be produced at costs within the program guidelines as agreed to by CMHC and SHQ will

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be eligible for assistance under the program. Projects may include compatible non-residential community, care or commercial space which is financially self-supporting. At least 5% of the new construction units produced under the program each year, in non-special purpose projects, will be accessible and designed as "mobility" units, as defined in the program guidelines. Demand will be considered in determining the number of "mobility" units in any particular project.

Further modifications to these units may be undertaken to meet the needs of particular clients. As outlined in program guidelines, such modifications are eligible for cost-sharing.

3.4 Occupants

SHQ will ensure that all Native households selected to occupy projects/units are Native households in need. As a first priority, "mobility" units are to be occupied by Native households in need in which at least one person is physically disabled.

4. ELIGIBLE PROJECT COSTS/ASSISTANCE

4.1 Proposal Development Funding

Interest-free loans of up to \$75 000 per project will be provided by SHQ to support the development of the eligible portion of project proposals by Native non-profit groups or non-profit continuing cooperative housing

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groups intending to serve low-income individuals and families and the disabled. Non-budgetary and budgetary funds associated with these loans will be shared on a 75/25 basis by Canada and Quebec. Interest and administrative charges on PDF loans made by a third party on behalf of SHQ, are not eligible for cost-sharing and will be paid by SHQ and are not charged to project sponsors or included in eligible project capital costs.

The maximum loan to any sponsor will depend on the size and complexity of the eligible portion of the proposed project and the work to be done in each successive phase of project development. Activities for which funding may be provided include: incorporation; legal cost; demand studies; best buy analysis; economic feasibility analysis; soil tests; site plans; drawings and specifications; preliminary capital and operating cost estimates; and options/offers to purchase.

Initial project development funding loans of up to \$10 000 per project may be provided to enable eligible sponsors to prepare applications for project commitment. Where new construction or major renovations are planned, the initial loan may be increased by \$150 per planned unit, up to a cumulative maximum of \$30 000. Further loan increases can be provided to a cumulative maximum up to the lesser of \$750 multiplied by the number of eligible units or \$75 000 per project to enable sponsors, who have been awarded a conditional allocation, to complete all outstanding requirements for a timely commitment.

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4.2 Eligible Project Capital Costs

A project's total eligible costs pertain only to the units committed under the program and are for the residential portion only, as specified in program guidelines. These costs include, but are not limited to, land acquisition and servicing, construction/rehabilitation/conversion, landscaping costs, resource group/consultant fees, organization expenses, interest and other fees and charges as outlined in program guidelines, and must not exceed the lesser of the actual eligible costs or the Maximum Unit Price applicable to the units at the time of commitment.

Interest rates must be competitive and acceptable to CMHC and SHQ. Interest rates used where Quebec financing is provided by SHQ shall not exceed the lowest rate available from major NHA approved lenders for comparable loans.

4.3 Ineligible Project Capital Costs

Projects may contain residential dwelling units in addition to those committed under the program as well as non-residential space. No costs associated with the development, financing or operation of the additional units or non-residential space will be eligible for cost-shared assistance under the program. Ineligible residential and non-residential costs will include a prorated share of the project's soft costs, the land value, and costs of mechanical systems.

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4.4 Acceptable Project Capital Costs/Lending Value

Acceptable project costs, used to determine the lending value, are the eligible costs within the Maximum Unit Price, the cost of the ineligible residential portion plus the cost of additional non-residential space which cannot exceed 15 percent of the cost of the residential portion of the project and 20 percent of its floor area.

4.5 Costs Eligible for Assistance

Only the actual eligible project costs of the residential component of a project within the Maximum Unit Price are eligible for cost shared subsidy assistance.

4.6 Insured Loans

In accordance with paragraph 13 of the Operating Agreement, approved lender loans for up to 100 percent of a private non-profit project's acceptable capital costs/lending value can be insured by CMHC under Part I of the Act. SHQ will ensure that insured loans to all eligible sponsors will be at interest rates and terms acceptable to CMHC at the time of commitment.

5. PROJECT SELECTION/DELIVERY PROCESS

5.1 Targeting

SHQ will ensure that all units in this program are allocated to communities of over 2 500 population, within all Census Metropolitan Areas and Sherbrooke Census Area and geographic areas specified in the Operating Agreement and to priority groups in accordance with the approved

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three-year plan attached as Schedule B of the Operating Agreement. Taking into account the planning process, SHQ shall assist families and senior citizens within the priority groups with the intent to direct assistance in accordance with their share of core housing need relative to each other. Within the core housing need income limits, the number of units directed to households at the upper income levels shall not exceed their proportionate share of need.

5.2 Project Selection

Projects will primarily be developed through existing sponsors expanding their portfolio each year. Conditional unit allocations will be provided to existing and new sponsors who demonstrate a capability to deliver and manage a project and intend to serve households in need. Where there is more than one Native housing group serving a specific area, units should be allocated to each group recognizing portfolio size and economies of scale in management.

Native non-profit sponsors or continuing cooperative non-profit housing associations will be awarded conditional allocations to support their continuation in the project development process and the achievement of a timely commitment. A conditional allocation is not a commitment and can be withdrawn should it become evident that a proposal will be unable to meet all project eligibility and commitment criteria or the deadline for a final application.

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Projects selected for conditional allocations will meet selection criteria acceptable to CMHC and SHQ and will be the most cost-effective available in terms of the annual amortization portion of subsidy requirements for the given unit type mix. Cost-effectiveness will be separately determined for family and senior projects. It is based on the ratio of estimated eligible project costs less related equity contributions, to its Maximum Unit Price. Projects with the lowest ratio will be considered the most cost-effective.

5.3 Project Selection - Special Purpose

SHQ will develop and select the best targeted and most cost-effective Native special purpose private non-profit projects after weighing the relative merits of new construction versus the acquisition of existing structures and after assessing the costs and benefits of various housing acquisition techniques appropriate to local market conditions.

6. COMMITMENT

6.1 Proposal Development Funding

A proposal development funding loan commitment is deemed made each time SHQ approves a proposal development loan or loan increase, to a total cumulative maximum of \$75 000 for each eligible project.

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The reporting of budget take-up shall be dollars of capital committed. Dollars of capital equals the amount of the loan approved at each stage of project selection.

6.2 Criteria for Project Commitment

Prior to approving a commitment of subsidy assistance or requesting CMHC to approve an undertaking to insure, SHQ will ensure that each commitment application meets all Urban Native Non-Profit Housing Program criteria and guidelines without conditions which are beyond the power of the contracting parties to fulfill within the calendar year in which the commitment is made, and Section 13 of the Operating Agreement, where applicable.

6.2.1 Subsidy Assistance:

A commitment of subsidy assistance is deemed made when SHQ approves a notice of commitment guaranteeing the provision of federal assistance under Section 56.1 of the Act and Quebec assistance under the Loi sur la Société d'habitation du Québec (Lois refondues du Québec, c. S-8 and its regulations), subject to the execution of a project operating agreement between SHQ and the owner of the project.

6.2.2 Term of Subsidy Commitment:

The approved notice of commitment obligates SHQ and CMHC to provide operating assistance to the project for a period of 35 years or the useful life of the project as agreed to by the parties, whichever is less.

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6.2.3 Reporting Commitments:

The reporting of the authorized budget take-up shall be in terms of the number of units committed to be reported as specified in the Operating Agreement.

"Unit" means a unit or bed where a unit is a self-contained dwelling in detached or multiple housing form to be occupied by one eligible household; and a "bed" is the bed to be occupied by each individual resident in a special purpose housing project or hostel.

6.2.4 Loan Insurance:

An undertaking to insure capital financing is deemed made when CMHC approves an undertaking to insure under Part I of the Act.

6.2.5 Commitment Notification/Publicity:

All news releases or announcements pertaining to an allocation or commitment to a project will be in accordance with the Operating Agreement and mutually agreed program guidelines.

6.3 RNH Training Funds:

A commitment on RNH Training Funds is deemed made when SHQ approves funds for RNH Training to eligible Native Non-Profit sponsors as outlined in the Urban Native Non-Profit Program Guidelines.

The reporting of RNH Training Funds shall be the dollar value of funds approved.

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7. ADVANCING

7.1 Proposal Development Funding Loans

SHQ will be responsible for approving and authorizing accountable advances on proposal development funding loans, either directly or through third parties, on behalf of CMHC and SHQ. Such advances shall be secured by a promissory note and repayable from the first project loan advance.

7.2 Insured Loan Advances

SHQ will be responsible for approving progress advances in accordance with the Operating Agreement and program guidelines which will be made only after it has entered into a project operating agreement with each project sponsor. SHQ will provide CMHC access to all records and documentation pertaining to the authorization of insured loan advances.

7.3 Construction

SHQ will be responsible for inspecting and monitoring all projects during construction to ensure compliance with the plans and specifications and applicable building codes and standards, and to determine the value of work in place.

7.4 Final Costs

SHQ will provide CMHC with a certified statement of final capital costs prepared in accordance with program guidelines for all approved projects no later than six months

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after the Interest Adjustment Date as defined in and on a form specified in program guidelines.

8. PROJECT/PORTFOLIO ADMINISTRATION

8.1 Project Operating Agreements

All sponsors will enter into a project operating agreement, in a form specified in program guidelines, with SHQ before receiving a commitment for subsidy assistance.

Without limiting its scope, the project operating agreement will specify:

Publicity measures, rentals (tenant income verification, rent adjustments and application of the rent-to-income scale); leasing of housing units; contributions; other assistance; sale of project/units; care facilities/special purpose housing; project management; commercial and non-residential facilities; annual review; encumbrances; articles of incorporation/charges; books; accounts; audits; loan repayment; replacement reserves; discrimination; retention of documents; default; mortgage rollover; and interest rates.

8.2 Project Administration

8.2.1 Project Advances:

SHQ will ensure that Native private non-profit and continuing cooperative housing sponsors are advanced sufficient funds to cover project operating losses during the course of their fiscal year.

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8.2.2 Financial Year-End

SHQ will ensure that sponsors/owners of each project approved under this program have financial year-ends on 31 December.

8.2.3 Project Monitoring:

SHQ will monitor and undertake regular on-site inspections and financial reviews to ensure that project sponsors manage their projects prudently and cost-effectively and continue to respect all conditions in their project operating agreements during the period of the insured loan and payment of contributions by Canada and Quebec.

8.2.4 Modernization and Improvement:

Expenditures for the modernization, improvement and regeneration in excess of \$100 000 per project and \$1 000 per unit in any one year must be part of a comprehensive portfolio management strategy and explicitly identified in Schedule B of the Operating Agreement or be approved by CMHC on a project basis.

8.2.5 Prepayment:

The prepayment of the outstanding loan balance, the sale of a project/unit or a change in a project's charter can only take place in accordance with program guidelines or with the approval of CMHC and SHQ.

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8.2.6 Management Training:

SHQ may provide training and other aids to assist Native non-profit sponsors and continuing cooperative groups to manage their projects effectively. Such expenditures can be cost-shared and may be charged against management/administration within a project's annual operating budget, or against RNH Client Training Funds as outlined in program guidelines.

8.2.7 Projects in Difficulty:

In the event that projects get into financial difficulty, SHQ will advise CMHC and secure its approval of any solution or action that will affect the amount of the financing or the amount of subsidy assistance paid each year on the basis of eligible project costs.

8.3 Income Verification

SHQ will ensure that all project sponsors verify, at least annually, the adjusted income of the households occupying units in the project and will take steps to ensure that the rent to be charged is adjusted accordingly and in a manner described in Appendix "1" of this Schedule.

8.4 Portfolio Administration

SHQ will participate with CMHC and other provincial and territorial housing corporations in addressing portfolio management problems, issues and opportunities, in an ongoing effort to achieve economies and efficiencies.

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9. ELIGIBLE PROGRAM COSTS:

The eligible program costs will be shared 75/25 by Canada and Quebec.

9.1 Non-Budgetary Expenditures

CMHC and SHQ will share 75/25 the cost of eligible non-budgetary expenditures associated with interest-free proposal development funding loans to assist Native private non-profit and continuing cooperative sponsors to develop project proposals. SHQ will claim on a monthly basis reimbursement from CMHC for CMHC's share of PDF advances made either directly or through third parties.

9.2 Budgetary Expenditures

9.2.1 Proposal Development Funding:

Eligible budgetary expenditures include the forgiveness of any loan if a project does not proceed to commitment. The interest costs incurred by each party on its respective share of loan advances will not be cost-shared.

9.2.2 Project Operating Losses:

Subsidies for the eligible portion of projects without on-site care or support services are based on the difference between the eligible portion's share of actual annual operating costs and revenues, with rents based on household adjusted incomes and the rent-to-income scale as specified in Appendix "1" of this Schedule.

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SHQ will utilize a rental scale of its own but operating losses eligible for assistance from Canada will be determined on the basis of whichever of the Quebec scale attached in Appendix "1" or the Federal Rent-to-Income Scale produces the lowest annual operating losses. Any scale in use, combined with any rent surcharge from clients paying "in lieu" of municipalities, must not result in occupant households remaining in core housing need.

Without limiting the scope, listed below are the revenue and expense line items which are acceptable to CMHC and SHQ for cost-sharing:

- . Revenues: rents; parking; laundry; other.
- . Operating: taxes; insurance; maintenance; management; janitor; space heating; electrical power; water; sewer; garbage removal; modernization/ improvement/regeneration; replacement reserves; training; depreciation (equal to principal reduction on loan) and loan interest.

Subsidies for special purpose projects shall not exceed the difference between (a) the amount required to amortize the eligible project costs within the Maximum Unit Price of the housing project at an interest rate acceptable to CMHC and SHQ over thirty-five years or the life of the project, whichever is less; and (b) the amount required to amortize the eligible cost of the

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project if the interest rate charged on such costs were two percent per annum calculated semi-annually and not in advance.

9.2.3 Program Delivery and Administration:

The eligible cost of delivery and administration shall be based on performance standards acceptable to CMHC and SHQ.

9.2.4 RNH Training Funds

The Client Training Program provides funds to facilitate the training of clients and local housing groups on Native Programs as outlined in Program Guidelines.

The RNH Secondment Program makes funds available to provide professional assistance to eligible local housing groups to enable them to develop their capacity to deliver and/or administer housing.

The Native Cadre Training Program provides funds to facilitate the development of Native people to enable them to participate in delivering/administering housing programs.

9.2.5 Financing Interest:

Any financing interest payable on budgetary receipts and disbursements will be calculated at an interest rate acceptable to CMHC and SHQ. Interest in such cases will be calculated on net expenditures to the date of reimbursement.

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9.2.6 Publicity:

The cost of program and project publicity measures and materials as agreed upon by SHQ and CMHC are eligible program costs.

10. BUDGETING AND CLAIMS

The financial reporting requirements for budgeting and claims are outlined in Appendix "3" to this Schedule and specified in program guidelines.

11. INFORMATION REQUIREMENTS

SHQ will ensure that all information requirements outlined in Appendix "2" of this Schedule and specified in Program Guidelines, are provided to CMHC.

Proposal development funding commitment information will be provided no later than five (5) working days after a commitment is made.

Where conditional allocations are made prior to full project commitment, summary information on each project accepted and rejected will be provided by SHQ to CMHC within 30 days following selection but no later than 30 September of the year in progress.

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Commitment data will be provided no later than five (5) working days after a commitment is made. Updates to commitment data communicated previously will be transmitted on a similar basis.

Special program or project details permitting the drafting and distribution of news announcements pertaining to program and project allocations and commitments will be described in program guidelines.

Information pertaining to clients served by the program will be obtained once a year and no later than 31 March of the subsequent year. This will provide details on clients served in all units under administration, or receiving subsidies, as at 31 December of that year.

Annual client data may be provided on the basis of a sample of projects, which is mutually agreed to upon in advance by CMHC and SHQ.

Annual project operating data will support the final audited statement of expenditures and this, along with client information, will be used as the basis for adjustments in federal payments of subsidy assistance, if necessary.

PROGRAM ELIGIBILITY

DEFINITION OF TOTAL HOUSEHOLD INCOME

For purposes of determining eligibility under this program, total household income is the total income of the household (before tax) from all sources for all persons in the household 15 years of age and over, as defined by Statistics Canada in its most recent Household Income, Facilities and Equipment data base documentation.

RENT-TO-INCOME SCALE

DEFINITION OF INCOME FOR DETERMINING BENEFITS

For the purpose of establishing the rent to be paid, SHQ will assess the annual "adjusted income" of the household in the manner outlined in the Quebec Rental Scale.

QUEBEC RENTAL SCALE

An Act respecting the Société d'habitation du Québec
(R.S.Q., c.-S-8, s. 86, pars. g and 1)

Bylaw respecting the leasing of low-rental housing

1. In this Bylaw, unless the context indicates otherwise:

"head of the household" means a person who is the regular provider for the needs of a household or, in the case of a current lease, the lessee;

"spouse" means a person who cohabits with the person to whom he is married or who lives with a person in a conjugal relationship;

"household" means any person or group of persons occupying a dwelling unit;

"independent person" means:

- a person of full age living with the head of the household and whose income is equal or greater than the benefits granted under the Social Aid Act (R.S.Q., c. A-16), for the ordinary needs of an individual 30 years of age or more, able to work and not living with a relative or child. Notwithstanding the foregoing, a child of the head of the household or of his spouse, who is less than 21 years old on the date the lease takes effect, is not an independent person; or

- a person who receives a pension or a spouse's allowance under the Old Age Security (R.S.C. 1970, c. O-6);

"rental rate" means the relation between the basic rent and the income taken into consideration for the calculation of that rent.

2. A person's income is his total gross income for the calendar year preceding the date the lease takes effect, excluding the following:

(1) a tax refund or a tax credit;

(2) an amount received by a foster family for taking charge of a recipient, granted under the Social Aid Act and the Act respecting health services and social services (R.S.Q., c. S-5);

(3) financial assistance granted under the Act respecting child day care (R.S.Q., c. S-4.1);

(4) an availability allowance granted under the Taxation Act (R.S.Q., c. 1-3);

(5) a family allowance;

(6) a work income supplement benefit;

(7) a bursary or scholarship received by a person other than the head of the household who attends a public educational institution or a private educational institution recognized as being in the public interest by the (ministère de l'Éducation).

Income shall be reduced by the following amounts:

(1) maintenance paid by the person under an order or judgment of a court of competent jurisdiction;

(2) hospital charges in a long-term care hospital or shelter costs in a reception centre paid by the pension and the monthly amount of social aid granted him to supply his ordinary needs as defined in section 5 of the Social Aid Act (R.S.Q., c. A-16).

3. The income taken into consideration for the calculation of the basic rent is the total income of the head of the household and, where applicable, the income of the independent person having the highest income. Notwithstanding the foregoing provision, that part of this income so taken into consideration which arises from work is reduced by 10%; this provision is applicable to a lease taking effect on or after 1 January 1984.

For the purposes of this section, a child of the head of the household or of his spouse, under 25 years of age on the date when the lease takes effect, is not an independent person.

4. The basic rent is equal to 25% of the income calculated in section 3.
5. Notwithstanding section 4, the basic rent may not be less than 25% of the benefits granted under the Social Aid Act, for the ordinary needs of an individual 30 years of age or more, able to work and not living with a relative or child.
6. The basic rent includes the following services; heat, hot water, taxes related to the dwelling unit and an outdoor parking space where such spaces are specified for that purpose.

It also includes supplying a stove and a refrigerator under a lease in force on 31 December 1984 or under a lease in force after that date if the space provided in the dwelling does not make it possible to install a stove and a refrigerator, each 765 millimetres in width.

7. For each independent person other than the one described in section 3, an amount is added to the basic rent equal to 25% of the maximum rent for a room taken into consideration for the calculation of the rental allowance paid in accordance with the [Programme d'allocation-logement en faveur des personnes âgées (LOGIRENTE)], approved by Order in Council 1362-83 dated 22 June 1983, as amended from time to time.

8. The following monthly charges are added to the basic rental:

- (1) for use of electricity, excluding heat and hot water, \$16.55 for a bachelor apartment, \$18.75 for a one-bedroom dwelling unit and \$2.20 for each additional bedroom.

Those amounts are indexed* annually in proportion to the increase in the rates charged by Hydro-Québec for electricity used for residential purposes.

- (2) a charge of \$3 where the lessee has outdoor parking equipped with an electrical outlet;
 - (3) \$15 where the lessee may use a garage or an indoor parking space;
 - (4) for any additional parking space provided to the lessee in addition to the one referred to in section 6, \$15 for an outdoor parking space, \$25 for a parking space equipped with an electrical outlet for a block heater and \$45 for a garage or and indoor parking space.

* Amounts indexed since 1 May 1986: \$17.85 for a bachelor apartment, \$20.20 for one-bedroom dwelling unit and \$2.35 for each additional bedroom.

9. For each stove or refrigerator not supplied by the lessor to a lessee in residence on 31 December 1984, an amount of \$1.50 per appliance shall be deducted monthly from the basic rent.
10. The cost for use of a washing machine or dryer is 50 cents per use. The lessor shall comply with the rate before 1 January 1985.
11. The rent payable by a lessee who applies for a rent reduction following a decrease of income or a change in the make-up of the household is calculated on the basis of the presumed income for the period for which the reduction is granted.

No application involving a monthly rent reduction of less than \$10 may be considered.

Notwithstanding the foregoing, the reduced basic rent may not be less than 25% of the reduced income.

The lessor shall inform the lessee of his decision within a 30-day period from the date the application is filed.

12. The rent calculated in accordance with section 11 takes effect the month following the month the application is filed and remains in force for a period of 3 months or until the lease is renewed, whichever period is shorter.

At the expiry of that period, where the reason for the rent reduction is a decrease in the lessee's income, the previous rent comes back into force unless the lessee justified his need for a continued reduction for a new period.

13. The lessee shall provide the lessor with the name of the persons living with him and the evidence required for a declaration of income. The information shall be provided within one month from the lessor's request.

14. A lease is effective for a period of 12 months.

Notwithstanding the foregoing provision, a lease concluded with a new lessee or with a lessee described in article 1662.7 of the Civil Code may be effective for less than 12 months.

15. Notwithstanding section 4, a lessee's rental rate in force on 1 March 1982 which was increased by 1% at the first renewal of his lease is increased by 2% at each subsequent renewal until it reaches 25%.

A rental rate in force on 1 March 1982 which was not increased, for a lessee living alone and receiving social aid, is increased by 1% at the next renewal of his lease, and by 2% at each subsequent renewal until it reaches 25%.

16. A lessee's rental rate, on the date the immovable in which he lives is acquired by the [Société d'habitation du Québec], is increased in accordance with section 15 if the dwelling unit becomes low-rental housing.

A lessee's rental rate for a dwelling unit with regard to which a rent supplement was paid in accordance with the Act respecting the [Société d'habitation du Québec] is also increased in accordance with section 15.

17. This Regulation does not apply to dwelling units belonging to the Corporation which are located north of the 55th parallel and which serve the Inuit population.

18. This Bylaw replaces the Bylaw respecting the leasing of low-rental housing approved by Order in Council 256-82 dated 8 February 1982 and modified by Order in Council 1269-82 dated 26 May 1982, 1398-82 dated 19 June 1982 and 2469-84, 7 November 1984.

INFORMATION REQUIREMENTS: SUMMARY

Pre-Commitment

- this data is provided following the completion of conditional unit allocations;
- the following generic data elements are provided for each project accepted or rejected in the project selection process:
 - sponsor's name and address;
 - proposed project's description:
 - location codes,
 - client type,
 - number of units by unit and building form,
 - new and existing,
 - maximum unit prices;
 - proposed project costs:
 - total estimated costs,
 - cost (less equity) to MUP ratio,
 - equity contribution;
 - reasons for refusal of proposal (in narrative form).

Commitment Data:

- this data is submitted by way of a Notice of Commitment form;
- the Notice of Commitment forms contain the following generic data elements:
 - client type served;
 - project location, codes and address;
 - applicant details, type, name and address;
 - proposal development funding (PDF):
 - amount approved,
 - amount previously approved,
 - account identification information;
 - project description:
 - description of building,
 - number of eligible and ineligible units by unit and building type,
 - use of floor area,
 - maximum unit prices;
 - financial data pertaining to eligible and ineligible portions:
 - project financing, amount, terms, rates,
 - equity,
 - grants;
 - project eligible and ineligible capital costs:
 - land,
 - improvements (acquisition, construction, renovation, soft costs),
 - appraisal estimate;
 - project eligible and ineligible operating data:
 - eligible costs and revenues,
 - other costs and revenues,
 - subsidies, amount and sources;

Commitment Data: (Cont'd)

- project procurement and acquisition technique;
- account identification information.
- . this information, or part of it will be updated through a project's life cycle (eg. at commitment of PDF and Section 56.1 assistance, at establishment of IAD, at final audited capital costs).
- . RNH Training Funds:
 - funds approved, training program, number of training events and contracts, names of recipient organizations and/or persons.

Client Data:

- . this data is provided once a year and pertains to those eligible clients receiving assistance that year (may be obtained through sampling of client records);
- . the data provided will pertain to:
 - household composition,
 - household income and its source,
 - Native ancestry,
 - presence of special needs,
 - size and type of dwelling occupied,
 - rent paid,
 - condition and affordability of household's previous dwelling (only for clients newly served during the year);

Project Operating Data:

- . this data is provided once a year and contains the following generic data elements segregated for eligible and ineligible costs and revenues as applicable:
 - amortization (principal and interest),
 - project operating costs (such as financing charges, utilities, maintenance and replacement reserves),
 - project revenues (such as rents, parking and laundry),
 - management expenses,
 - modernization and improvements.

BUDGETING AND CLAIMS

The financial reporting requirements for budgeting and claims can be grouped by the following categories:

- A. Budget Preparation
- B. Budget Administration
- C. Commitments
- D. Claims
- E. Annual Information - Audited
 - Unaudited
- F. Budgetary Expenditure Accruals

For the Urban Native Program, all budgeting, claims and reporting will be segregated into the following activities unless otherwise indicated:

Urban Native - Regular
Urban Native - Special Purpose
Proposal Development Funding
RNH Training Funds

A. BUDGET PREPARATION

A three-year financial plan is developed on an annual basis as part of the joint planning process. It identifies planned commitment levels, expenditure levels, and cash flow patterns over the planning period which includes the budget year and the following two years. Commitment activity is planned on a calendar basis whereas expenditure activity is planned on a 31 March fiscal year basis. Cash flow is presented on both a calendar and fiscal year basis for five years. Commitment, expenditure and cash flow estimates for the year preceding the budget year and the two years following the budget year are presented for planning, information and monitoring purposes only.

Budget limits for the budget year are established in Schedule B to the Operating Agreement.

Three-year plans will be established by activity for the following areas:

- 1. Commitments - Units
- 2. Commitments - Budgetary
 - Non-budgetary
- 3. Budgetary Expenditures
- 4. Cash Flow Forecast - Budgetary
 - Non-budgetary

1. Commitments - Units

Schedules of units committed and units placed under subsidy will be used to derive the forecasts of budgetary expenditures.

Data on characteristics of the proposed units (split between new construction and existing construction, average unit capital cost, total capital costs of the units that will be amortized, projected interest rates, average length of the subsidy, amortization terms, average annual operating costs and proposed dates of subsidy commencement ("phase-in rates")) will be required to support the calculations of budgetary expenditures.

A. BUDGET PREPARATION (Cont'd)

2. Commitments - Budgetary

Commitments for RNH Training Funds will be expressed in terms of budgetary dollars required.

- Non-budgetary

Commitments for Proposal Development Funding will be expressed in terms of non-budgetary dollars required. The projected average loan amount and the number of units/projects assisted by Proposal Development Funding will also be provided. Commitments required in accordance with the Loan Insurance Agreement to finance the acquisition of a project in default will be expressed in terms of non-budgetary dollars required.

3. Budgetary Expenditures

For Urban Native, budgetary expenditures will be displayed by type of expenditure (i.e. operating costs, revenues, amortization, modernization and improvement, delivery and administration costs, and financing interest) in accordance with program guidelines.

For Proposal Development Funding, the amount of loan forgiveness and the interest rate losses arising from the provision of interest-free loans will be provided.

For RNH Training Funds, the amounts to be disbursed will be provided.

Funds required to administer projects acquired in accordance with the Loan Insurance Agreement will be reported separately.

4. Cash Flow - Budgetary

A summary of the expected quarterly cash flow of budgetary expenditures will be provided to assist in cash management.

- Non-budgetary

A summary of the expected quarterly cash flow of non-budgetary expenditures for Proposal Development Funding will be provided to assist in cash management.

B. BUDGET ADMINISTRATION

The approved annual budget is contained in Schedule B of the Operating Agreement. Changes to an approved budget must be determined and communicated in accordance with the Operating Agreement and the guidelines.

C. COMMITMENTS

Commitments for assistance under the Urban Native Program will be reported in units; commitments for Proposal Development Funding will be reported in capital (non-budgetary) dollars; and commitments for RNH Training Funds will be reported in budgetary dollars.

Commitments will be submitted to CMHC on a mutually acceptable commitment form by SHQ within five (5) working days after making the commitment.

CMHC will acknowledge receipt of commitment.

D. CLAIMS

Claims for settlement between CMHC and SHQ will be submitted on a monthly basis within thirty days of the end of the month to which the transactions relate. Claims will contain sufficient information to permit:

- a) interim verification that the amounts being claimed or remitted are reasonable and within approved budgets;
- b) the recording of the necessary accounting entries relating to budgetary and non-budgetary expenditures and asset balances; and
- c) the monitoring of the status of the portfolio through continuity schedules of units committed, units under subsidy and asset balances.

The entire financial activity of the program shall be reported by SHQ, together with each party's proportionate share of expenditures.

Budgetary expenditures related to prior year accruals will be reported.

Amounts claimed for budgetary expenditures may be based upon estimates of actual activity. Estimates must be adjusted to actual on a periodic basis in accordance with program guidelines.

The monthly claim for the Urban Native Program will include:

1. Continuity Schedule: Units Committed/Under Subsidy

This schedule is required to monitor the number of units that have been committed in the program, those that are receiving subsidies, and those that are committed but not yet receiving assistance ("outstanding commitments").

Information provided includes the number of units committed, cancelled, or placed under subsidy during the month, and the number of units receiving subsidies during the month.

2.1 Continuity Schedule: Proposal Development Funding Loans

This report is required to monitor the number and amount of loans that have been committed, advances on those loans, outstanding commitments, loans forgiven and loan repayments.

2.2 Continuity Schedule: RNH Training Funds

This report is required to monitor the RNH Training Funds that have been committed, disbursements on those commitments, and outstanding commitments.

3. Expenditures

A report of actual expenditures made or an estimate of expenditures incurred during the month is required to monitor the financial impacts of the program and to inform the other party of its share of the expenditures.

The expenditures will be displayed by program activity and the following expenditure categories: net operating subsidies for eligible units, delivery and administration costs, financing interest, RNH Training Funds and Proposal Development Funding. Sufficient data will be provided to support the delivery and administration costs claimed in accordance with predetermined standards. It is not necessary to provide detailed information in support of the amounts claimed monthly for delivery and administration costs.

The report will also disclose the respective share of the expenditures of each party and the amounts for which reimbursement is being requested by SHQ.

E. ANNUAL INFORMATION - AUDITED

The audited statement of budgetary and non-budgetary expenditures will provide an independent verification of the proper use of funds in accordance with the Operating Agreement and program guidelines and will be used to determine the final amount payable to or recoverable from SHQ for the calendar year ending 31 December.

The audited statement and its supporting schedules will contain information for the calendar year at a level similar to that provided on the monthly claims.

This statement and its supporting schedules will be accompanied by operating data at the project level as outlined in Appendix "2" (Information Requirements) of this Schedule and summarized by program activity. Project level data will include information on both eligible and ineligible costs and on designated and non-designated units. Project level data will be provided on a calendar year basis and will be reconciled in total to the calendar year expenditure amounts. Project level operating data will be audited in accordance with program guidelines. Budgetary expenditures will be broken down by year of commitment in a supporting schedule.

Audited information will be submitted no later than 30 June.

ANNUAL INFORMATION - UNAUDITED

Annual outstanding commitment and asset balance information as at 31 December will be submitted for planning and monitoring purposes and to support information contained in CMHC's records.

Outstanding commitment information will be classified by year of commitment approval. This will include detailed listings of projects committed and not yet receiving assistance and proposal development funding not fully advanced.

This information is required to reconcile the detailed asset and commitment files maintained by CMHC to those of SHQ.

Unaudited information must be submitted to the other party no later than 31 January.

F. BUDGETARY EXPENDITURE ACCRUALS

Budgetary expenditures which have been incurred but not disbursed within the fiscal year ending 31 March and which, in accordance with program guidelines, should be charged to the budget for that year, will be reported by SHQ by 30 April. This information will be reported in a format similar to that submitted for ongoing claims and certified by a senior financial officer of SHQ.

RENT SUPPLEMENT PROGRAM
QUEBEC

Agreement between "Canada Mortgage and Housing Corporation" (CMHC) and "Société d'habitation du Québec" (SHQ).

This program will be delivered and administered by the Société d'habitation du Québec (SHQ) in accordance with the acts and regulations in force and applicable to both CMHC and SHQ. SHQ may, however, depending on the circumstances and under its administrative regulations, give the mandate in writing for the administration thereof to its agencies.

1. DEFINITIONS

"Financial Assistance" or "Rent Supplement" mean the subsidy paid out under this program, the amount of which is intended to make up for the difference between:

- 1) a) a benchmark rent for a housing unit, or
b) the rent paid for this same housing unit,
whichever is the lesser, and
- 2) the client's basic rent.

"Lease" means the contract signed between a landlord and a tenant for the rental of a housing unit.

"Eligible contribution recipient" means the SHQ.

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"Client" means a household as defined in the Global Agreement on Social Housing, receiving financial assistance under this program.

"Contribution" means the respective financial participation of each of the parties in the costs defined in Section 9 below.

"Commitment" means a written undertaking attesting a formal obligation to provide financial assistance under this program for a specifically identified number of housing units.

"Housing Unit" means either the housing occupied by an eligible household, or a bed occupied by the resident in a special purpose housing project or hostel.

"Total rent" means the total housing cost incurred, including the costs of heating, hot water, water, and municipal and other taxes.

"Rent paid" means the monthly amount stipulated in a lease for the rental of a housing unit.

"Basic rent" refers to the concept under which a minimum amount is established as defined in Appendix "1" of this Schedule, to which monthly costs, as established by SHQ from time to time, of the various services considered as eligible under the "total rent" are either added or subtracted depending on whether or not they are included under the lease.

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"Benchmark rent" means, for the purposes of calculating the financial assistance paid out under the terms of this program, the amount of total monthly rent for a subsidized housing unit with and including maintenance costs, as determined from time to time by SHQ, and as deemed acceptable by the Planning and Monitoring Committee given the market conditions for a specific housing unit type of good quality and as measured by the average market rent for this type of unit in a sector defined by this Committee.

"Approved agents" means a private or public non-profit organization, such as a municipality, a municipal housing authority, an Indian band council as defined in the Indian Act, to which SHQ has given the mandate in writing to assume, in its stead, management of this program.

2. OBJECTIVE

To assist households in need to obtain adequate, modest and good quality housing, suitable for their needs by subsidizing rents.

3. DESCRIPTION OF THE PROGRAM

The objective of the program is to provide financial assistance, as defined in Section 1 of this Schedule, to clients. To be eligible for this assistance, the housing unit rented must be recognized as eligible by the SHQ or

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by one of its approved agents. The assistance given will be available for a maximum period of thirty-five (35) years.

For the purposes of this Schedule, SHQ is deemed to be the eligible contribution recipient under Section 56.1 of the Act and this Schedule shall be deemed to be the agreement referred to in Section 91.(1) of the National Housing Loan Regulations.

Enabling Federal legislation

National Housing Act:

- . Section 56.1

Enabling Provincial legislation

- . (Revised Statutes of Quebec, Chapter S-8 and its regulations)

4. ELIGIBILITY CRITERIA

4.1 Eligible Housing Units

Eligible units are those belonging to a landlord, a non-profit organization or a housing cooperative meeting the quality standards which the CMHC and SHQ shall deem mutually acceptable. However, housing units owned by landlord or a housing cooperative receiving ongoing federal or provincial social housing assistance, are excluded unless this financial assistance provided under the provisions of Sections 15, 15.1 and 34.18 of the NHA

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or under the Residential Rehabilitation Assistance Program for the Disabled. Projects which have received financial assistance under the Rental Residential Rehabilitation Assistance Program are automatically excluded from the Rent Supplement Program.

These housing units will be inspected at intervals considered acceptable to CMHC and SHQ on the basis of inspection criteria and project samples acceptable to CMHC and SHQ. Such inspections will be done by SHQ or by one of its approved agents or by an organization specializing in inspection work, prior to commitment and at the project agreement renewal. At all times, designations of units in projects owned by private landlords, except for those incorporated as non-profit organizations, will be preceded by an inspection of the premises.

4.2 Clients

Are eligible under this program, households in core housing need as defined in the Global Agreement on Social Housing, with total household incomes, as defined in Appendix "1", which falls below the core need income threshold, as well as certain households deemed by CMHC and SHQ as having special housing needs.

4.3 Maximum Amount of Rent Paid

In no case shall the rent paid exceed the benchmark rent by more than ten percent (10%).

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5. AMOUNT OF FINANCIAL ASSISTANCE

The financial assistance provided under this program must comply with the definition in Section 1, "Financial Assistance" or "Rent Supplement".

6. HOUSING UNIT SELECTION/DELIVERY PROCESS

6.1 Targeting

The housing units in this program are allocated to certain categories of households considered as priority groups, as defined from time to time, and within geographic areas specified in the three-year plan outlined in Schedule B of the Operating Agreement. Housing units in cooperative housing projects for which CMHC has made commitments under the Federal Cooperative Housing Program will also be eligible under this program.

The allocations of units under this latter program will be subject to CMHC's program planning, with CMHC undertaking, however, to inform SHQ accordingly.

Taking into account the planning process, SHQ will assist families and senior citizens within the priority groups with the intent to direct assistance in accordance with their share of core housing need relative to each other. Within the core housing need income limits, the number of units directed to households at the upper income levels will not exceed their proportionate share of need.

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6.2 Selection of Units and Clients

The selection of housing units is made either by SHQ, or by one of its approved agents, with a view to providing the best value for money for CMHC and SHQ. However, SHQ or one of its approved agents has the option of using a proposal call process to select the units, if deemed appropriate.

In addition, in certain cases, SHQ or one of its approved agents may permit clients to select their own units provided that the maximum rent amount paid for that unit does not exceed the amount stipulated in Section 4.3 of this Schedule and provided that this housing unit meets all the eligibility criteria of this program.

It is expressly agreed, moreover, by both CMHC and SHQ that the financial assistance provided by this program remains with the unit subsidized and does not follow the client occupying said unit; consequently, should a client leave a subsidized housing unit, he/she automatically and *ipso facto* loses each and every one of the advantages which he/she has under this program including the financial assistance provided under this program, except when the departure is due to circumstances beyond his/her control or when SHQ or one of its approved agents authorizes a client to occupy another subsidized housing unit.

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In allocating its units, SHQ will ensure that thirty percent (30%) of the units available through the Federal Cooperative Housing Program are provided rent supplements, and that for these housing units, fifty percent (50%) of the clients will be selected from public housing waiting lists, if such lists exist; the remaining fifty percent (50%) will be selected by the housing cooperatives.

7. FINANCIAL COMMITMENTS

7.1 Unit Commitment

A housing unit is deemed eligible and acceptable under the program starting on the date when SHQ or one of its approved agents signs an agreement with a housing cooperative, or with a non-profit organization or with a landlord owning the housing unit(s) involved. The financial assistance thus required will be available over a maximum period of thirty-five (35) years.

7.2 Terms and Conditions of the Agreement

The terms and conditions of the agreement referred to in subsection 7.1 shall comply with requirements which have been mutually accepted by CMHC and SHQ.

Without limiting the scope of the preceding, this agreement must specify among other items: lease amounts, client selection, term of lease, lease renewal date, payment commencement date to landlord, and the date and renewal procedures of the agreement.

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7.3 Commencement Date of Financial Assistance

The commencement date of financial assistance stipulated in this program corresponds to the initial rent payment date stipulated in the agreement referred to in subsection 7.1 of these presents.

It is thus required of the parties to the agreement, SHQ or its approved agent, and the landlord, to schedule as the commencement date of financial assistance, a date subsequent to the signature of the agreement, should the housing unit not be available when the agreement is signed.

7.4 Notice of Commitment

SHQ will ensure that any agreement executed in line with the provisions stipulated in subsection 7.1 above shall be confirmed to CMHC through Notice of Commitment prepared in a form acceptable to CMHC and SHQ, and said Notice shall be forwarded by SHQ to CMHC within thirty (30) days following the end of the month where the commitment was made, failing which CMHC will not be required to participate financially in the shared costs listed below in subsection 9.1 for any period preceding the thirty (30) day deadline stipulated above. The information concerning changes in commitments received beforehand will be forwarded to CMHC in the same way. Moreover, SHQ shall inform CMHC, within five (5) days of the end of each month, of commitments made during that month, using an activity summary report stipulating the number of units committed and planned budgetary expenses, and a listing of the Notice of Commitment forms to be received during the subsequent month.

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8. UNIT/PORTFOLIO ADMINISTRATION

8.1 Income Verification

SHQ or one of its approved agents will proceed with a verification of the income of each of the clients occupying a subsidized housing unit, at least annually, to ensure the eligibility status of said clients under this program and consequently, will either postpone providing financial assistance to these clients under the program or readjust the amount paid out, if necessary, as the case may be.

8.2 Rent Review

SHQ or one of its approved agents will proceed with a review and approval, at least annually, of the rent charged by the private landlords or by the housing cooperatives. In situations where SHQ has agreed to rent adjustments based on escalation clauses, a review of the conditions associated with making such adjustments will be made.

8.3 Duration of Leases

Subject to the exceptions contained in subsection 2 of Section 13 in Appendix "1" of this Schedule, leases are to be for a maximum duration of 12 months and are to comply with the prescriptions of the Civil Code of Quebec in this respect.

8.4 Maintenance of Housing Units

The housing units are to be maintained in a manner deemed acceptable by SHQ; the latter may, at intervals agreed to

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by CMHC and SHQ, proceed with an inspection of these housing units or have it done by one of its approved agents.

8.5 Unit Reallocation

In cases where a subsidized housing unit becomes vacant or where SHQ has deemed that a household occupying a housing unit has become ineligible under the program, SHQ may, subsequent to having advised the housing cooperative, the non-profit organization or the landlord, as the case may be, revoke the unit designation and transfer it to another housing unit of comparable cost for the remaining term of the commitment, insofar as this redesignation takes place within nine (9) months of the revocation of the original unit's designation; the selection criteria contained in subsection 6.2 also apply to the redesignated unit. In the case of housing cooperatives established under the Federal Cooperative Housing Program, and insofar as the cooperatives comply with the terms and conditions of the Rent Supplement Program, SHQ must obtain the consent of the housing cooperatives before proceeding with the proposed redesignations. SHQ will notify CMHC of the redesignation of the unit in a form agreed to by CMHC and SHQ within the scheduled deadline and as specified in program guidelines, failing which the financial assistance paid under this program will be lost for the remaining portion of the thirty-five (35) year commitment. Similarly, no financial assistance will be paid under this program between the revocation and redesignation dates.

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9. CONTRIBUTIONS

9.1 Shared Costs

Except for costs associated with the Federal Cooperative Housing Program, the program costs will be totally assumed by CMHC and SHQ in the following proportions:

- a) for the units committed in 1986, the program costs will be shared by CMHC and SHQ on a 65/35 percent basis;
- b) for the units committed in 1987, the program costs will be shared by CMHC and by SHQ on a 62/38 percent basis;
- c) for the units committed during any subsequent year, the costs will be shared by CMHC and by SHQ on a 59/41 percent basis.

With regard to the Federal Housing Cooperative Program, the costs will be assumed in total by CMHC and SHQ, on a 75/25 percent basis.

The costs shared as stipulated above include:

- . all of the financial assistance paid out;
- . the annual eligible cost incurred for the delivery and administration of the program, based on performance standards acceptable to CMHC and SHQ;
- . any other costs which CMHC and SHQ deem mutually acceptable;

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- . any interest payable on claims or disbursements, calculated at the interest rate in force for short term loans during the month of reimbursement and acceptable to CMHC and SHQ. The amount of interest is calculated on the basis of net disbursements starting from SHQ's disbursement date until CMHC's reimbursement date.

9.2 CMHC Contribution

CMHC may limit its financial participation in the shared costs previously stipulated in subsection 9.1 to a sum equivalent to the total amounts which it would have normally paid out to all its clients under its own rent scale, as stipulated in the Operating Agreement. The rent scale used by SHQ will be deemed acceptable insofar as the application of this rent scale, together with any surcharge resulting from a contribution by the client for and on behalf of a municipality or from the client over and above the benchmark rent used for subsidy calculation purposes, results in a total rent which is less than thirty percent (30%) of the household income as defined in the Agreement.

9.3 Adjustment of Contributions

Exceptionally, the financial assistance deriving from the application of the present program will also be available to any housing unit of the cooperative type having been the subject of a notice of commitment prior to 1979, and under the provisions of Sections 15, 15.1 and 34.18 of

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the NHA provided that according to the provisions of said Act and as specified under the guidelines of the program deriving therefrom, Quebec has provided a financial participation equal to that of Canada.

For the purposes of calculation of contributions, SHQ will take into consideration any contribution paid under the provisions of Sections 15, 15.1 and 34.18 of said Act. This other contribution, as well as its duration, will be denounced as the case may be, by one or the other of the parties either through sending the notice of commitment provided for above by SHQ and CMHC, or at the time of acceptance of said notice of commitment by CMHC.

During the duration of the payment of this other contribution, the net contribution of each of the parties in the shared costs above will be adjusted so that the initial contribution of Quebec equals that of Canada and the total amount of any additional contribution deriving from the application of this program is and shall always remain shared in the same proportions as those listed above in subsection 9.1.

10. BUDGETING AND CLAIMS

The financial reporting requirements for budgeting and claims are outlined in Appendix "3" to this Schedule.

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11. INFORMATION REQUIREMENTS

The information which the parties are to share, including information of a financial nature as well as that pertaining to the profile of the client group(s) served, is stipulated in Appendix "2" of this Schedule, and outlined in program guidelines.

Information pertaining to the profile of all or some of the client groups served will be forwarded once a year and no later than 31 March of each year, and collected using sampling methods to be defined by the Planning and Monitoring Committee. The operating data for each agreement will be forwarded once a year together with and at the same time as the audited statement of expenditures. SHQ will ensure that the data will support the audited statement of expenditures as the data may be used at a later date along with the client profiles, as the basis for adjustments in final claims, if necessary.

12. PUBLICITY

In accordance with Section 16 of the Operating Agreement, SHQ undertakes, while recognizing the particular nature of this program and the client groups which it serves, to publicize as discreetly as possible, the full extent of both Canada and Quebec's role and contributions in the implementation of this program.

RENT SUPPLEMENT PROGRAM
QUEBEC

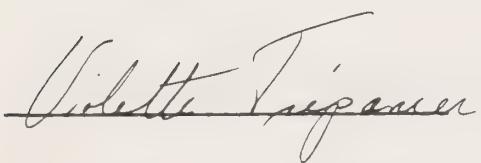
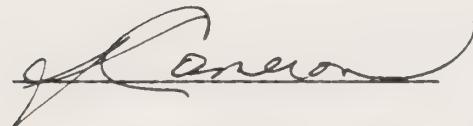
SCHEDULE A - 3

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In Witness Whereof, Canada Mortgage and Housing Corporation
and Société d'habitation du Québec executed these presents.

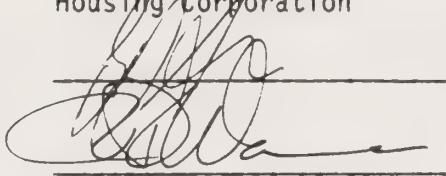
Signed at QUEBEC this 10th day of JULY
nineteen hundred and eighty-six in quintuplicate.

WITNESSED BY:

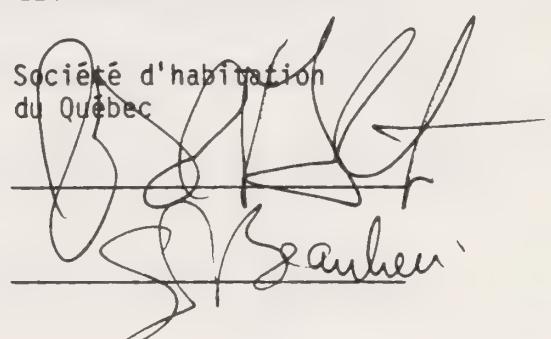


SIGNED BY:

Canada Mortgage and
Housing Corporation



Société d'habitation
du Québec



PROGRAM ELIGIBILITY

DEFINITION OF TOTAL HOUSEHOLD INCOME

For purposes of determining eligibility under this program, total household income is the total income of the household (before tax) from all sources for all persons in the household 15 years of age and over, as defined by Statistics Canada in its most recent Household Income, Facilities and Equipment data base documentation.

RENT-TO-INCOME SCALE

DEFINITION OF INCOME FOR DETERMINING BENEFITS

For the purpose of establishing the rent to be paid, SHQ will assess the annual "adjusted income" of the household in the manner outlined in the Quebec Rental Scale.

QUEBEC RENTAL SCALE

An Act respecting the Société d'habitation du Québec
(R.S.Q., c.-S-8, s. 86, pars. g and 1)

Bylaw respecting the leasing of low-rental housing

1. In this Bylaw, unless the context indicates otherwise:

"head of the household" means a person who is the regular provider for the needs of a household or, in the case of a current lease, the lessee;

"spouse" means a person who cohabits with the person to whom he is married or who lives with a person in a conjugal relationship;

"household" means any person or group of persons occupying a dwelling unit;

"independent person" means:

- a person of full age living with the head of the household and whose income is equal or greater than the benefits granted under the Social Aid Act (R.S.Q., c. A-16), for the ordinary needs of an individual 30 years of age or more, able to work and not living with a relative or child. Notwithstanding the foregoing, a child of the head of the household or of his spouse, who is less than 21 years old on the date the lease takes effect, is not an independent person; or

- a person who receives a pension or a spouse's allowance under the Old Age Security (R.S.C. 1970, c. 0-6);

"rental rate" means the relation between the basic rent and the income taken into consideration for the calculation of that rent.

2. A person's income is his total gross income for the calendar year preceding the date the lease takes effect, excluding the following:

(1) a tax refund or a tax credit;

(2) an amount received by a foster family for taking charge of a recipient, granted under the Social Aid Act and the Act respecting health services and social services (R.S.Q., c. S-5);

(3) financial assistance granted under the Act respecting child day care (R.S.Q., c. S-4.1);

(4) an availability allowance granted under the Taxation Act (R.S.Q., c. 1-3);

(5) a family allowance;

(6) a work income supplement benefit;

(7) a bursary or scholarship received by a person other than the head of the household who attends a public educational institution or a private educational institution recognized as being in the public interest by the (ministère de l'Éducation).

Income shall be reduced by the following amounts:

(1) maintenance paid by the person under an order or judgment of a court of competent jurisdiction;

(2) hospital charges in a long-term care hospital or shelter costs in a reception centre paid by the pension and the monthly amount of social aid granted him to supply his ordinary needs as defined in section 5 of the Social Aid Act (R.S.Q., c. A-16).

3. The income taken into consideration for the calculation of the basic rent is the total income of the head of the household and, where applicable, the income of the independent person having the highest income. Notwithstanding the foregoing provision, that part of this income so taken into consideration which arises from work is reduced by 10%; this provision is applicable to a lease taking effect on or after 1 January 1984.

For the purposes of this section, a child of the head of the household or of his spouse, under 25 years of age on the date when the lease takes effect, is not an independent person.

4. The basic rent is equal to 25% of the income calculated in section 3.

5. Notwithstanding section 4, the basic rent may not be less than 25% of the benefits granted under the Social Aid Act, for the ordinary needs of an individual 30 years of age or more, able to work and not living with a relative or child.

6. The basic rent includes the following services; heat, hot water, taxes related to the dwelling unit and an outdoor parking space where such spaces are specified for that purpose.

It also includes supplying a stove and a refrigerator under a lease in force on 31 December 1984 or under a lease in force after that date if the space provided in the dwelling does not make it possible to install a stove and a refrigerator, each 765 millimetres in width.

7. For each independent person other than the one described in section 3, an amount is added to the basic rent equal to 25% of the maximum rent for a room taken into consideration for the calculation of the rental allowance paid in accordance with the [Programme d'allocation-logement en faveur des personnes âgées (LOGIRENTE)], approved by Order in Council 1362-83 dated 22 June 1983, as amended from time to time.

8. The following monthly charges are added to the basic rental:

(1) for use of electricity, excluding heat and hot water, \$16.55 for a bachelor apartment, \$18.75 for a one-bedroom dwelling unit and \$2.20 for each additional bedroom.

Those amounts are indexed* annually in proportion to the increase in the rates charged by Hydro-Québec for electricity used for residential purposes.

(2) a charge of \$3 where the lessee has outdoor parking equipped with an electrical outlet;

(3) \$15 where the lessee may use a garage or an ~~indoor~~ parking space;

(4) for any additional parking space provided to the lessee in addition to the one referred to in section 6, \$15 for an outdoor parking space, \$25 for a parking space equipped with an electrical outlet for a block heater and \$45 for a garage or and indoor parking space.

* Amounts indexed since 1 May 1986: \$17.85 for a bachelor apartment, \$20.20 for one-bedroom dwelling unit and \$2.35 for each additional bedroom.

9. For each stove or refrigerator not supplied by the lessor to a lessee in residence on 31 December 1984, an amount of \$1.50 per appliance shall be deducted monthly from the basic rent.
10. The cost for use of a washing machine or dryer is 50 cents per use. The lessor shall comply with the rate before 1 January 1985.
11. The rent payable by a lessee who applies for a rent reduction following a decrease of income or a change in the make-up of the household is calculated on the basis of the presumed income for the period for which the reduction is granted.

No application involving a monthly rent reduction of less than \$10 may be considered.

Notwithstanding the foregoing, the reduced basic rent may not be less than 25% of the reduced income.

The lessor shall inform the lessee of his decision within a 30-day period from the date the application is filed.

12. The rent calculated in accordance with section 11 takes effect the month following the month the application is filed and remains in force for a period of 3 months or until the lease is renewed, whichever period is shorter.

At the expiry of that period, where the reason for the rent reduction is a decrease in the lessee's income, the previous rent comes back into force unless the lessee justified his need for a continued reduction for a new period.

13. The lessee shall provide the lessor with the name of the persons living with him and the evidence required for a declaration of income. The information shall be provided within one month from the lessor's request.

14. A lease is effective for a period of 12 months.

Notwithstanding the foregoing provision, a lease concluded with a new lessee or with a lessee described in article 1662.7 of the Civil Code may be effective for less than 12 months.

15. Notwithstanding section 4, a lessee's rental rate in force on 1 March 1982 which was increased by 1% at the first renewal of his lease is increased by 2% at each subsequent renewal until it reaches 25%.

A rental rate in force on 1 March 1982 which was not increased, for a lessee living alone and receiving social aid, is increased by 1% at the next renewal of his lease, and by 2% at each subsequent renewal until it reaches 25%.

16. A lessee's rental rate, on the date the immovable in which he lives is acquired by the [Société d'habitation du Québec], is increased in accordance with section 15 if the dwelling unit becomes low-rental housing.

A lessee's rental rate for a dwelling unit with regard to which a rent supplement was paid in accordance with the Act respecting the [Société d'habitation du Québec] is also increased in accordance with section 15.

17. This Regulation does not apply to dwelling units belonging to the Corporation which are located north of the 55th parallel and which serve the Inuit population.

18. This Bylaw replaces the Bylaw respecting the leasing of low-rental housing approved by Order in Council 256-82 dated 8 February 1982 and modified by Order in Council 1269-82 dated 26 May 1982, 1398-82 dated 19 June 1982 and 2469-84 dated 7 November 1984.

INFORMATION REQUIREMENTS - SUMMARY

Commitment Data:

- this data is submitted by way of Notice of Commitment forms;
- the Notice of Commitment forms shall contain the following generic data elements:
 - project location, codes and address;
 - owner details, type, name and address;
 - date of agreement and subsidy commencement date;
 - unit description;
 - benchmark rent;
 - rent paid and its components;
 - details pertaining to unit redesignations;
 - approved agent identification;
 - account identification information;
 - matching contributions (Sections 15, 15.1 and 34.18).

Client Data:

- This data is provided once a year and pertains to clients receiving assistance that year;
- The data provided will pertain to:
 - type of owner (non-profit corporation, housing co-op - with or without index-linked mortgage - private landlord);
 - household composition;
 - household income and source;
 - Native ancestry;
 - special needs;
 - size and type of dwelling occupied;
 - rent paid;
 - previous dwelling condition (only for households newly served during the year; may be obtained through sampling of client records).

Operating Data:

- This data is provided once a year and contains the following generic data elements:
 - agreed market rents;
 - rents paid by the clients;
 - subsidies paid;
 - matching subsidies paid (Sections 15, 15.1 and 34.18).

BUDGETING AND CLAIMS

The financial reporting requirements for budgeting and claims can be grouped by the following categories:

- A. Budget Preparation
- B. Budget Administration;
- C. Commitments
- D. Claims
- E. Annual Information - Audited
 - Unaudited
- F. Budgetary Expenditure Accruals

For the Rent Supplement Program, all budgeting, claims and reporting will be segregated into the following activities unless otherwise indicated:

Rent Supplement - Private Landlords
Rent Supplement - Stacked (15, 15.1, 34.18)
Rent Supplement - Co-ops

A. BUDGET PREPARATION

A three-year financial plan is developed on an annual basis as part of the joint planning process. It identifies planned commitment levels, expenditure levels, and cash flow patterns over the planning period which includes the budget year and the following two years. Commitment activity is planned on a calendar basis whereas expenditure activity is planned on a 31 March fiscal year basis. Cash flow is presented on both a calendar and fiscal year basis for five years. Commitment, expenditure and cash flow estimates for the year preceding the budget year and the two years following the budget year are presented for planning, information and monitoring purposes only.

Budget limits for the budget year are established in Schedule B to the Operating Agreement.

Three-year plans will be established by activity for the following areas:

- 1. Commitments - Units
- 2. Budgetary Expenditures
- 3. Cash Flow Forecast - Budgetary

1. Commitments - Units

Schedules of units committed and units placed under subsidy will be used to derive the forecasts of budgetary expenditures.

Data on characteristics of the proposed units (agreed market rents, average RGI rent and proposed subsidy commencement dates) will be required to support the calculations of budgetary expenditures.

2. Budgetary Expenditures

For Rent Supplement, budgetary expenditures will be displayed by type of expenditure (agreed market rent, RGI rent, repair/redecoration costs, delivery and administration costs, and financing interest) in accordance with program guidelines.

3. Cash Flow Forecast - Budgetary

A summary of the expected quarterly cash flow of budgetary expenditures will be provided to assist in cash management.

B. BUDGET ADMINISTRATION

The approved annual budget is contained in Schedule B of the Operating Agreement. Changes to an approved budget must be determined and communicated in accordance with the Operating Agreement and the guidelines.

C. COMMITMENTS

A summary statement of commitment activity for the month is to be submitted within five working days of month end to permit timely monitoring and reporting of committed and uncommitted budgets. This statement is to be supported by an inventory of the account numbers which will be enclosed with the "Notice of Commitment" forms to be received the following month. This inventory will be used to ensure that all individual commitment forms have been received by SHQ.

The summary statement of commitment activity will be split between current year's data and changes in prior years' commitments. Commitments for assistance will be reported in units. Revocations as well as redesignations of Rent Supplement units are not included in this summary report.

D. CLAIMS

Claims for settlement between SHQ and CMHC will be submitted on a monthly basis within thirty days of the end of the month to which the transactions relate. Claims will contain sufficient information to permit:

- a) interim verification that the amounts being claimed or remitted are reasonable and within approved budgets;
- b) the recording of the necessary accounting entries relating to budgetary expenditures; and
- c) the monitoring of the status of the portfolio through continuity schedules of units committed and units under subsidy.

The entire financial activity of the program shall be reported by SHQ, together with CMHC and SHQ's proportionate share of expenditures.

Budgetary expenditures related to prior year accruals will be reported.

Amounts claimed for budgetary expenditures may be based upon estimates of actual activity. Estimates must be adjusted to actual on a periodic basis in accordance with program guidelines.

The monthly claim for the Rent Supplement Program will include:

1. Continuity Schedule: Units Committed/Under Subsidy

This schedule is required to monitor the number of units that have been committed in the program, those that are receiving subsidies, and those that are committed but not yet receiving assistance ("outstanding commitments").

Information provided includes the number of units committed, cancelled, or placed under subsidy during the month, the total number of units receiving subsidies during the month, the number of units revoked and redesignated, and the number of rent supplement units withdrawn.

2. Expenditures

A report of actual expenditures made or an estimate of expenditures incurred during the month is required to monitor the financial impacts of the program and to inform CMHC of its share of the expenditures.

The expenditures will be displayed by program activity and the following expenditure categories: net subsidy (including repair/redecoraction costs), delivery and administration costs, and financing interest. Sufficient data will be provided to support the delivery and administration costs claimed. It is not necessary to provide detailed object of expenditure information in support of the amounts claimed monthly for delivery and administration costs.

It is understood that financial data for purposes of the interim claims process, will be derived from data taken from accounting records indicating the amount of the contributions paid out by SHQ rather than using actual operating data from the agencies.

The report will also disclose SHQ and CMHC's respective share of the expenditures and the amounts for which reimbursement is being requested by SHQ.

E. ANNUAL INFORMATION - AUDITED

The audited statement of budgetary expenditures will provide an independent verification of the proper use of funds in accordance with the Operating Agreement and program guidelines and will be used to determine the final amount payable to or recoverable from SHQ for the fiscal year ending 31 December.

The audited statement and its supporting schedules will contain information at a level similar to that provided on the monthly claims for the fiscal year.

This statement and its supporting schedules will be accompanied by operating data at the project level as outlined in Appendix "2" (Information Requirements) of this Schedule and summarized by program activity. Project level operating data will be audited in accordance with program guidelines. Budgetary expenditures will be broken down by year of commitment in a supporting schedule.

Audited information will be submitted no later than 30 June.

ANNUAL INFORMATION - UNAUDITED

Annual outstanding commitment information as at 31 December will be submitted for planning and monitoring purposes and to support information contained in CMHC's records.

Outstanding commitment information will be classified by year of commitment approval. This will include a detailed listing of projects committed and not yet receiving assistance.

This information is required to reconcile the detailed commitment files maintained by CMHC to those of SHQ.

Unaudited information must be submitted to CMHC no later than 31 January.

F. BUDGETARY EXPENDITURE ACCRUALS

Budgetary expenditures which have been incurred but not disbursed within the fiscal year ending 31 March and which, in accordance with program guidelines, should be charged to the budget for that year, will be reported by SHQ by 30 April. This information will be certified by a senior financial officer of SHQ.

